

RUSSIA OF POWER





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Cover photo: Pavel L Photo and Video / Shutterstock.com

Translation: AAC Global Oy

Layout: Tiina Takala/Ministry of Defence

Print: Punamusta, 2019

ISBN: 978-951-663-065-9 print

ISBN: 978-951-663-066-6 pdf

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Foreword

The Russia of Power project has now concluded, and this is the resulting final report. The report is a continuation of the two previous reports ordered by the Ministry of Defence: Russia of Challenges was published in 2008 and Russia of Transformations in 2012. This time, the project was also commissioned by the Ministry for Foreign Affairs and the Ministry of the Interior, while the Ministry of Defence was responsible for administration and coordination of the project.

International tensions have increased in recent years, and the security situation has weakened in Europe and in Finland's neighbouring areas. No positive developments on this front are currently foreseen. There is talk of a return of the Cold War, increased significance of nuclear weapons, the end of the rules-based international order, and an end to diplomacy.

Through its actions and in its public pronouncements, Russia has shown its disdain for the rules-based international order and security. Of course, Russia is only one of many actors involved in international politics. Public statements made by the current US government, the emergence of China as a global power and the future direction of the European Union are all creating uncertainty, as are a number of different crisis areas, as well as global challenges and megatrends. Taken with all these factors, Russia's efforts to achieve the status of an internationally recognised great power are creating instability, and a tendency to settle international disputes with power politics may intensify.

For Europe, Russia has been an important energy partner, a market area with increasing potential, a participant in the fight against terrorism, and a seat of rich culture. However, these positive connotations of Russia have begun to change to somewhat more negative ones. Russia and its hybrid influence, in a variety of forms, constantly appear in the same context, while the perception of the military threat that Russia poses to Europe has returned, strengthened. Finland has also come to realise that while there is no imminent military threat to Finland, it must prepare for the threat or use of military force. As a member of the European Union, Finland would not be able to remain aside if security is under threat in the region or elsewhere in Europe. The need for cooperation and dialogue – including with Russia – is particularly important.

Events and negative developments in recent years provide cause for increasingly critical analysis. The Russia of Power project concentrated on analysing Russia under three main themes: foreign policy, military defence and internal development. Preparing the report took a year, during which over 40 experts from universities, research institutes and various authorities participated in the work of the three thematic groups. As in previous similar projects, the participants for this project were chosen on the basis of expertise and availability.

The thematic groups were tasked with evaluating the current situation, as well as change and continuity factors. They were also given the task of evaluating impact: the impact on Russia's stability and relations between Finland and Russia, as well as the impact on Finland and the region from the perspective of international security. Implementation

of the project was supported by a support group made up of representatives of the Ministries of Defence, the Interior and Foreign Affairs, as well as the National Defence University.

The work of the three thematic groups was coordinated by the specific people in charge of each group: Jyri Lavikainen, Petteri Lalu and Salla Nazarenko. The thematic groups convened between three and six times, and smaller groups and individual experts undertook other independent research work. Further insight came from external experts, who provided comments or produced background papers, for example. Discussions between the thematic groups and cross-analysis of their work also took place at five joint events during the project. Hannu Himanen, Arto Mustajoki, Hanna Smith and Timo Valtonen gave presentations in these joint events. The project also involved foresighting, and this work has been compiled by Simo Pesu, assisted by experts in the project, in the final section of this report.

The goal of producing the Russia of Power report is to increase awareness and understanding of Russia. The project also provided a further boost to the study of Russia with a particular focus on security. Students and younger researchers also contributed, allowing them to learn and to gain multifaceted experience. In addition, the work combined research skills and the expertise of civil servants to produce added value, and this kind of co-operation will be implemented more systematically going forward.

The Russia of Power project was a unique effort. It takes considerable expertise and cooperation to fashion a subject this extensive and multi-faceted into a well-founded and reader-friendly expert opinion. The report is also a demonstration of Finnish expertise in terms of Russia.

The Ministry of Defence, Ministry of the Interior and Ministry for Foreign Affairs extend their warmest thanks to all the experts who participated in the work. Thanks are also due to those who initiated the joint events and to external commentators for sharing their expertise, as well as to the project support group for its good cooperation. The list of experts on the next page is not exhaustive, as some of the experts did not want their names to be included due to the nature of their work or their duties.

The report provides, from the perspective of security, a comprehensive topical view of the current situation in Russia, as well as of alternative future scenarios. The report collates the work of its participants: each thematic group produced its own section of the report. Therefore, the views expressed in the report are those of the authors and experts and they do not necessarily represent the views of the Finnish government. We leave the task of drawing conclusions partly to the reader, and we offer the report to civil servants for their use, to researchers for further study, and to anyone interested in Russia.

Terhi Ylitalo
Project coordinator
Ministry of Defence

Participants in the thematic groups

Russia's foreign policy

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Commentators:	Mika Aaltola, Tuomas Forsberg, Pekka Hirvonen, Karoliina Honkanen, Minna Jokela, Klaus Korhonen, Tommi Lappalainen, Heli Simola and Veli-Pekka Tynkkynen

Russia's military defence and the resources of the defence industry

Coordinated by:	Petteri Lalu
Russia's military defence:	
Participants:	Juha Kukkola, Petteri Lalu, Simo Pesu and Katri Pynnöniemi
The resources of Russia's arms industry:	
Participants:	Cristina Juola, Aleksi Päiväläinen, Karoliina Rajala, Laura Solanko and Ville Tuppurainen
Commentators:	Pauli Järvenpää and Arttu Jääskeläinen

Russia's internal development

Coordinated by:	Salla Nazarenko
Participants:	Kaarina Aitamurto, Anna-Liisa Heusala, Vesa Korhonen, Sanni Koski, Veera Laine, Jussi Lassila, Eemil Mitikka and Salla Nazarenko
Commentators:	Minna Jokela, Meri Kulmala, Katarine Lindstedt and Mikko Vienonen

Russia's futures: drivers for change

Author:	Simo Pesu
Participants:	Experts both within and external to the project

Executive summaries

Russia's foreign policy

Russia is seeking an international system where great powers have a strong and recognised position. Russia is trying to alter the current rules-based international order to suit its interests. These developments are worrying for small countries like Finland that rely on international cooperation.

For Russia, international politics is a zero-sum game of power. Russia's strategy entails weakening its adversaries, because a fragmented Western community where the EU and NATO are weak will help Russia achieve its goals. From Russia's perspective, this policy has produced concrete results, and Russia has succeeded in increasing its influence.

Russia's policy towards Finland reflects the broader goals in its foreign and military policy. There is an asymmetry in the relative strengths of Finland and Russia, as well as a fundamental conflict between their security policy interests. It is important to Finland that European states retain the right to independently make their own choices related to their security.

Finland has navigated the increasingly challenging operating environment by cooperating more closely with its partners and by maintaining a dialogue with Russia. However, Finland's increasing involvement in Western defence arrangements may lead to increased criticism and pressure from Russia. Russia is seeking to influence Finnish public debate and decision-making in many ways. It is important that Finland also prepares effectively for hybrid operations intended to influence society and other wide-ranging security threats.

Russia's military defence and the resources of the defence industry

The aim of Russia's military policy is to prevent and resolve conflicts, and to promote the political and economic interests of the state. Strategic nuclear weaponry is the key element of Russia's military defence, but alongside it, Russia is developing long-range, precision-guided, conventional weaponry. The reforms carried out during the past decade have reshaped the army, navy and air force – as well as the command and logistics system that supports them – into a high-readiness military force in terms of quality and quantity, as evidenced by Russia's military campaigns in the past few years.

Russia will be able to ensure adequate funding for development programmes for its armed forces even if economic growth falls short of expectations. Russia's state armament programme to 2020 has developed the material performance of the armed forces, and operational funding has been sufficient for an increase in the number of military exercises. Funding for the next state armaments programme, to 2027, will remain at the current level. The funding of Russia's military defence is flexible; rapid increases or decreases in spending are also possible in the next few years.

Russia's armed forces will likely achieve the stated goal of having modern armaments accounting for 70% of all their armaments by 2020. Not all of the items in the armament programme are new. The lifespan of previously acquired materiel has been prolonged, and will also be further extended through modernisation in the new armament programme. The operations of Russia's defence industry are hindered by Western sanctions, but also by the country's obsolete structures and corruption. Despite the wishes of the government, innovations in the defence industry have not led to significant breakthroughs in civilian production.

The ability to project military power plays an important role in supporting the external and internal stability of the Russian state. Due to the success of reforms in the military and military successes, the prestige of the armed forces in the country has strengthened significantly. Russia's stronger military capabilities and repeated use of force in securing and pursuing its interests considerably affect the security environment and continue to be a significant factor in Finland's security assessments.

Russia's internal development

Legal protection has improved in Russia in terms of legislation, but the lack of a judicial system that is truly independent from political interference erodes the people's trust in it. The "power ministries" are well-resourced, but not uniform. The duties of various public authorities partly overlap, and corruption is deeply rooted in the system. The power of Russia's president is particularly visible in appointments in the upper echelons of the country's internal security system, as well as in its management. President Putin's current term of office will end in 2024, but internal processes relating to the change of power are likely to begin before that.

In Russia, the state has been attempting to unite the people under the banner of patriotism as a counterbalance to Western values. However, this has not resulted in any significant increase in unity among the people, as their trust in institutions (and in other people) has remained weak. Furthermore, the Russian people now seem to be more prepared to engage in public protest than they were a few years ago. The Internet and social media are challenging the state's monopoly over communications. In terms of the economy, no sudden crises are foreseen. However, increased discontent and unpopular policies – such as pension reform – may put the social contract created by the current government in the 2000s to the test in the coming years.

The Russian population is ageing and there is a shortage of people of working age, which is sustaining immigration, primarily from Central Asian countries. At the same time, the lack of economic reforms is prolonging a situation in which few new, more productive jobs are being created. Economic growth in Russia will remain slow, and the country will not become a serious economic competitor to the European Union, the United States or China.

From Finland's point of view, no significant changes are expected in Russia's domestic policy. The volume of trade between Finland and Russia is a relatively small part of the overall Finn-

ish economy. Finland is engaged in effective collaboration with Russian authorities in matters such as border security and the Baltic Sea region. However, this collaboration and other types of cross-boundary interaction are hindered by the corruption that is prevalent in all areas. It is also obvious that Russia's geopolitical calculations and issues regarding the degree of its long-term commitment affect the relations between our countries and trust between our institutions. Any major economic or political shocks or natural disasters affecting Russia could also impact Finland, both indirectly and directly.

Russia's futures: drivers for change

This chapter reviews the impacts of possible future scenarios for Russia's own security and the security of its neighbours. The period under review begins in the near future and continues to the 2040s. The current era of broad changes in the international environment challenges us to analyse the future more extensively than merely by describing one possible course of events, and to discuss our own possibilities to operate on that basis.

Faced with the complex problems of operating environments that are transforming, Russia is seeking answers in a strong state, understanding its own starting points, military power, and collaboration with the world's major centres of power ("great powers"). It is noteworthy that the potential for environmental disaster and the need to prevent it receive less attention in the public debate in Russia. Climate change is largely seen as a factor driving the transformation of the energy market.

The review created four differing development outlooks. None of them individually presents a comprehensive view of Russia's development opportunities; taken together, however, they provide a stronger framework for review. These visions of the future differ in terms of the level of power and operational capability of the Russian state.

The first, and currently the most likely, development scenario is covered in the passages of this report describing internal, external and military developments. Russia's current situation matches the general outlook for change of an industrialised, highly modernised and urbanising society. The ageing population, rapid development of technology and the changing state of the environment mean that the economy and social structures must adapt to changes. The steep inequality in the country and the fact that ordinary citizens are unable to have political influence engender and maintain social tensions, as does a lack of trust in the government and its ability to promote economic and social development within the country. Russia is no longer a rapidly growing economy, and its general international standing is likely to gradually weaken. No obstacles are predicted to the key shared interest between Finland and Russia – collaboration on energy issues – even though developments in the energy transformation will, of course, affect this in the long run.

There are also less- and more-favourable development outlooks, which are both viewed as possible futures: Development could be weaker than what is currently expected as a result of the cumulative effects of multiple negative trends or a single bigger shock,

such as widespread environmental collapse. More favourable developments, on the other hand, could only occur if several favourable trends combine, such as high demand for hydrocarbon-based fuels being maintained, but without any major shocks. In this more favourable development outlook, Finland would need to adapt to Russia's increased influence and more active operations outside its borders.

A course of development that sees Russia possibly fragmenting, or even disintegrating, is viewed as the least likely outcome: It would require the combined effect of a number of negative trends and shocks. However, there are factors in the current course of development in the country that could promote such a fragmentation. Strong fluctuations of income in an economy that is dependent on energy trading are an everyday problem. A collapse in oil prices could lead to a prolonged economic crisis, resulting in the government (and companies that depend on the state) being unable to continue to pay competitive salaries and meet their pension obligations. Fluctuations in income could result in repeated waves of discontent, destabilising society. The trend of urbanisation is fragmenting the state. The power of Russia's few large cities is increasing at the expense of rural areas and smaller "monotowns" that rely on a single industrial employer. The country's regions continue to become increasingly divided from each other, which creates possibilities for them to strengthen their power relative to that of central government. The brain drain of skilled workers to other countries is continuing for the time being, increasing the risk that there will not be sufficient skilled workers to support the state in its current form. Such a fragmentation would significantly increase security risks for areas bordering Russia, and would be likely to result in extensive pressure for change and demands on the resources of Finland's defence and its concept of comprehensive security.

RUSSIA'S FOREIGN POLICY

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1. Introduction

Russia is seeking the status of an internationally recognised great power. Sergey Lavrov, the Foreign Minister of Russia, describes the foreign policy ambition of Russia as follows: “Speaking about Russia’s role in the world as a great power, Russian philosopher Ivan Ilyin said that ‘the greatness of a country is not determined by the size of its territory or the number of its inhabitants, but by the capacity of its people and its government to take on the burden of great world problems and to deal with these problems in a creative manner. A great power is the one which, asserting its existence and its interest ... introduces a creative and meaningful legal idea to the entire assembly of the nations, the entire “concert” of the peoples and states.’ It is difficult to disagree with these words.”¹

In January 2014, the political elite of Russia received a New Year’s present from President Putin: the complete works of the well-known Russian philosophers Ivan Ilyin, Nikolai Berdyaev and Vladimir Solovyov. Later in the spring, high-ranking civil servants and officials of the ruling United Russia party were ordered to take a course in philosophy in order to learn the basics of conservative thinking. Putin had already made reference to the thinking of Ilyin a few years earlier, and now the political elite was to understand the deeper meaning of the President’s words.

The interpretations of turning points in Russian history or the meaning of the key events that have been presented in the President’s speeches give some indication of the direction of and basis for Russia’s foreign policy.² However, this is not a uniform doctrine, but rather a selection of ideas that best serve to justify the chosen policies. The Russian philosopher Ivan Ilyin (1883–1954) quoted above has gained a prominent position. Putin has often borrowed from Ilyin’s doctrines the idea that Russia is an organic entity of its own that the West is seeking to subdue and destabilise.³ This thinking forms the framework that is used to justify the choices that Russia makes. The renaissance of conservative thinking in Russia is, however, only one of a number of factors affecting strategic decision-making, albeit a major one.

This part of the report, on the foreign policy of Russia, is divided into three parts: The first part provides an overall view of foreign policy thinking, as well as the starting points and objectives of strategic decision-making in Russia. The second part discusses the practical ways in which the country is seeking to implement its foreign policy objectives and analyses its portfolio of methods. The third part deliberates over the significance of Russia’s foreign policy objectives and methods from Finland’s perspective.

1 Ministry of the Foreign Affairs of the Russian Federation: Sergey Lavrov’s article “Russia’s Foreign Policy: Historical Background” for “Russia in Global Affairs” magazine, March 3, 2016, http://www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2124391, accessed 11 February.

2 Eltchaninoff, Michel: *Inside the Mind of Vladimir Putin*, Hurst, London, 2018, 1–2.

3 Ibid. 10, 49–55.

2. Premises and objectives of foreign policy

2.1 Strategic decision-making

In Russia, foreign policy decision-making takes place under the auspices of the president, and it can occur very quickly when necessary. This concentration of political power in the hands of the president leaves room for improvisation and for influence from informal networks. To the outside observer, it can appear that strategic decision-making in Russia is unpredictable.⁴ However, this does not mean that Russia is merely reacting to external events. As in other countries, strategic decision-making in Russia is influenced by historical experience, geographic location and the personalities of the decision-makers, as well as tensions between power ministries and security organs.⁵

The legislative framework of Russia's strategic decision-making is defined in the country's constitution, as well as in the key statutes governing foreign and military policies. Legislation associated with information security and cyber security, in particular, has been reformed in the past few years. Although Russia in principle considers international law to be an important instrument, it feels entitled to interpret it in line with its strategic interests in a similar vein than is often done domestically. For example, when the occupation and illegal annexation of Crimea was already in progress, President Putin quickly received authorisation from the State Duma for the use of force in Ukraine.⁶

The strategic documents essential for foreign policy, such as the Military Doctrine, the National Security Strategy, the Foreign Policy Concept and the Concept of Long-Term Socio-Economic Development, are another area where the content changes only slowly. The purpose of these documents is to communicate Russia's goals to the outside world, to guide the activities of the security authorities and to create a uniform picture of the situation for the political elite. All the key documents have been revised since 2014. The timing is an indication of the importance of the conflict in Ukraine in the background of Russian foreign and military policy.⁷ The annual Presidential Address to the Federal Assembly is of similar importance to the strategic documents. In these policy speeches, President Putin has set out the justification for new approaches and has further specified existing policy guidelines.

4 Monaghan, Andrew: *Defibrillating the Vertikal? Putin and Russian Grand Strategy*, Chatham House, 2014, 18–20; Martikainen, Toivo – Pynnöniemi, Katri – Saari, Sinikukka – Working group of the Finnish Institute of International Affairs: *Venäjän muuttuva rooli Suomen lähialueilla* (Russia's changing role in Finland's neighbourhood), Prime Minister's Office, 2016, 19.

5 Johnston, Alastair Ian: *Thinking about Strategic Culture*, *International Security*, Vol 19, No 4, 1995, 34.

6 Pursiainen, Christer – Forsberg, Tuomas: *The Principle of Territorial Integrity in Russian International Law Doctrine. The Case of Crimea*, 2019, 222–223. In Morris, Sean (ed.): *Russian Discourses on International Law. Sociological and Philosophical Phenomenon*, Routledge, 2019. On Russia's selective enforcement of law against domestic power networks, see, Ledeneva, Alena: *Can Russia Modernise? Sistema, Power Networks and Informal Governance*, Cambridge University Press, 2013, 14–15.

7 Pynnöniemi, Katri: *Russia's National Security Strategy: Analysis of Conceptual Evolution*, *The Journal of Slavic Military Studies*, Vol 31, No 2, 2018a, 241.

However, the picture that the official public documents paint of the bases for and objectives of Russian foreign policy is not complete. The decisions are made by a small circle of people, and it is difficult for outsiders to obtain any reliable information about the motives of the different actors. By managing the competition between security authorities, President Putin has succeeded in maintaining a strong grip on power.⁸

The role of the economy

Alongside the political system, the structure of the economy is another important factor that affects Russia's foreign policy. Much of the Russian economy is controlled by the state, and no change towards a more market-driven system is on the horizon.⁹

Resources that are deemed strategic – such as energy infrastructure and major companies in the energy sector – are controlled by the political elite, allowing them to be used as tools to assist in achieving foreign policy goals. In practice, Russia has succeeded in using its energy resources to influence the internal politics of its neighbours.¹⁰ Changes in energy prices on world markets directly impact Russia's financial resources, because the revenue obtained from oil and gas taxation represents roughly half of the total revenues of the federal budget.¹¹ Russia has been preparing for potentially more meagre times, economically speaking, by accumulating large reserves of foreign currencies and by keeping the amount of its total external debt very small.

Russia has a modest position in the world economy. The IMF estimates that in 2017, the Russian economy was the 18th largest in the world and Russia's share of global GDP was approximately 2 per cent. Russia's economy is roughly the same size as South Korea's, and less than one-tenth of that of the US. Measured by GDP at purchasing power parity per capita, Russia is at roughly the same level as Greece and Latvia.¹²

Although the Russian state-driven model is not the most efficient in the economic sense, it is seen from the Russian perspective to constitute a competitive edge compared to Western countries. The controlling position of the state is seen to compensate for Russia's weaker economic performance compared to its competitors, and to be necessary to strengthen the country's status as a great power.¹³

8 A chronological description of competition among the elite in Russia is presented in Peter Reddaway's book *Russia's Domestic Security Wars. Putin's Use of Divide and Rule Against His Hardline Allies* (Palgrave MacMillan, 2016).

9 Wood, Andrew: *Putin and Russia in 2018–24: What Next?*, Chatham House, 2018, 8.

10 Wigell, Mikael – Vihma, Antto: *Geopolitics versus geoeconomics: the case of Russia's geostrategy and its effects on the EU*, *International Affairs* 92 (3), 2016, 615–617; Sipilä, Olli – Lyyra, Satu – Semkin, Nikita – Patronen, Jenni – Kaura, Eeva – Sipilä, Esa – Kopra, Jukka – Tynkkynen, Veli-Pekka – Pynnöniemi, Katri – Höysniemi, Sakari: *Energia, huoltovarmuus ja geopolittiset siirtymät* (Energy, security of supply and geopolitical drifts), Prime Minister's Office, 2017, 107.

11 Simola, Heli – Solanko, Laura: *Katsaus Venäjän Öljy- ja Kaasusektoriin* (Overview of Russia's oil and gas sector), Bank of Finland, BOFIT, 2017, 31.

12 IMF: *IMF DataMapper. World Economic Outlook (October 2018). Gross Domestic Product (GDP)*, <https://www.imf.org/external/datamapper/datasets/WEO/1>, accessed 11 February 2019.

13 The basis of this model of thinking is comprehensively discussed e.g. in the book by V.I. Yakunin, V.E. Bagdasaryan and S.S. Sulakshin: *Economic Policy Ideology* (Governance and Problem Analysis Centre, 2009).

2.2 The transformation of global politics from the Russian perspective

Strategic interests

In its strategic documents concerning foreign policy, Russia's objectives are defined using the concepts of "national security" and the "national interest". National security, by definition, means the protection of individuals, society and the state against external and internal threats. "National security" is defined as a situation in which citizens' constitutional rights and obligations can be ensured, along with a sufficient living standard. The foundation of national security rests on three main pillars: the sovereignty of the state, safeguarding independence, and administrative and regional unity. Russia extensively utilises a variety of methods, both direct and indirect, to strengthen these three pillars. National security includes military policy, the security of society and information security, as well as the security of the environment, transport and energy.¹⁴

Therefore, "national security" means the basic factors that underlie the existence of the state, but it also refers to sector-specific phenomena and factors that weaken or strengthen the overall security of society. "National interests" means expectations and objectives regarding Russia's position in the international community. In the National Security Strategy approved in 2015, the national interests were defined as increasing the state's defensive capabilities and preserving the constitutional order, the sovereignty and independence of the state, as well as preserving the unity of the state and its regions. Regarding the status of Russia in world politics, the objective is to "consolidate its status as a leading world power".¹⁵

Threats

The conflict in Ukraine (now in its fifth year) and increasing tensions between great powers are also reflected in the rhetoric from the Russian leadership. In his speech to the Federal Assembly of Russia in March 2018, President Putin underlined that Russia's influence in world politics is primarily based on its military power, with nuclear weapons being its main manifestation:

"Russia's growing military power is a solid guarantee of global peace as this power preserves – and will continue to preserve – strategic parity and the balance of forces in the world, which, as is known, have been and remain a key factor of international security after World War II and up to the present day."¹⁶

14 Рундöиemi 2018a, 246; Кремль: *Стратегия национальной безопасности Российской Федерации*, 2015, 6, <http://kremlin.ru/acts/bank/40391>, accessed 11 February 2019.

15 Кремль 2015, 30.

16 Кремль: *Послание Президента Федеральному Собранию*, 1 March 2018, <http://kremlin.ru/events/president/transcripts/56957>, accessed 11 February 2019.

According to Russia, world politics is in a state of transition. The global struggle for natural resources and control over transport routes is intensifying.¹⁷ The situation is specifically viewed from the perspective of a struggle between countries, where Russia has concerns regarding defence of its vast territory and is afraid of losing its status as a great power. Russia's Foreign Policy Concepts that were published in 2013 and 2016 describe the world as having entered a period of "civilizational" competition.¹⁸ According to Russia, in addition to the existing crisis hotspots in Africa, the Middle East and the Korean peninsula, areas with no government in control are emerging. This increases the probability of terrorism, antagonism between adherents to different religions, and ethnic conflicts in the world.¹⁹

According to Russia, Western governments are to blame for the increasing tensions between great powers. In the Russian Federation's National Security Strategy approved in 2015, the US and the European Union are described as being guilty of creating chronic instability in Europe and in the immediate vicinity of Russian borders. It further states that moving NATO military infrastructure closer to Russian borders constitutes a threat to Russia's national security. On the other hand, the strategy claims that increasing flows of immigrants have "demonstrated 'the non-viability of the regional security system in the Euro-Atlantic Region based on NATO and the European Union'".²⁰ Russia estimates that although the probability of a major war (including war waged using nuclear weapons) continues to be small, the risk of regional conflicts – and of them escalating – is growing.²¹

One major change in the strategies defined after 2014 concerns the concept of threat. The National Security Strategy of 2009 defined threats to national security as follows: "the direct or indirect possibility of damage to constitutional rights and freedoms, decent quality of life and living standards of citizens, sovereignty and territorial integrity, the stable development of the Russian Federation, defence and the security of the state."²² In the strategic documents produced after 2014, the concept of threat is defined as a set of conditions and factors that constitute a direct or indirect potential to harm Russia's national interests. Thus, the concept of "threat" is specifically linked to the national interests defined above.²³

Furthermore, the National Security Strategy names radical movements, foreign NGOs, financial operators and even individuals as actors trying to destroy the unity and territo-

17 Кремль 2015, 13.

18 МИД России: *Концепция внешней политики Российской Федерации*, 2016, 5, http://www.mid.ru/ru/foreign_policy/official_documents/-/asset_publisher/CptICk6BZ29/content/id/2542248, accessed 11 February 2019; МИД России: *Концепция внешней политики Российской Федерации*, 2013, 13, http://www.mid.ru/foreign_policy/official_documents/-/asset_publisher/CptICk6BZ29/content/id/122186, accessed 11 February 2019.

19 Кремль 2015, 18.

20 Pynnöniemi, Katri: *The National Security of Russia*, 2018b, 45–46. In Raik Kristi – Mika Aaltola – Jyrki Kallio – Katri Pynnöniemi *The Security Strategies of the US, China, Russia and the EU. Living in Different Worlds*, FIIA Report 56, <https://www.fia.fi/julkaisu/the-security-strategies-of-the-us-china-russia-and-the-eu>, 2018.

21 Кремль: *Военная доктрина Российской Федерации*, 2014, 10; 11, <http://static.kremlin.ru/media/events/files/41d527556bec8deb3530.pdf>, accessed 11 February 2019.

22 Кремль: *Стратегия национальной безопасности Российской Федерации до 2020 года*, 2009, 6, <http://kremlin.ru/supplement/424>, accessed 11 February 2019.

23 Pynnöniemi 2018a, 244; Кремль 2015, 6.

rial integrity of Russia, to destabilise its domestic political and social situation, to incite a “colour revolution”, and to harm the religious and moral values of Russia.²⁴ The threat of externally controlled revolution is repeated in a number of strategic documents. In the Military Doctrine revised in 2014, this threat is included in the definition of military risks. Accordingly, it is a case of an activity aimed at violently altering the constitutional order of the Russian Federation, destabilising the country’s domestic political and social situation, and disrupting the function of the state’s administrative bodies, important governmental or military facilities, and the information infrastructure of the Russian Federation.²⁵

The governing elites of Russia have taken steps to stave off these threats. The powers of the security organs have been increased, and social media channels are now more tightly controlled. Criticism of governmental authorities is often defined as a security threat. The Russian ruling elites believe themselves to be irreplaceable in terms of guaranteeing the security and survival of the country.²⁶ State policies, both internal and external, are often justified through a narrative that simplifies and magnifies threats, portraying Russia as a besieged fortress surrounded by hostile forces aiming to destroy the country.

The concept of sphere of influence in Russian foreign policy

Russia defines its security in a way that decreases security for other countries. Russia does not merely want to defend its own borders; it also wants to be able to defend the borders of its “sphere of influence”. This is evidenced e.g. by Russia’s Military Doctrine, according to which Russia opposes the military presence of other countries even at the borders of Russia’s allies.²⁷ Therefore, Russia has a constant need to project military power to areas where it believes that it has “privileged interests”.²⁸ This term means that other countries should take into account the defensive, economic and political interests of Russia in their political decisions.

The Foreign Policy Concept of the Russian Federation states that Russia reserves the right to pre-empt the emergence of conflicts in the territories of its neighbouring countries.²⁹ This notion provides the legitimising framework for Russia’s actions during the wars in Georgia (2008) and Ukraine (since 2014). Russia justified its military actions in these conflicts by referring to the need to defend Russians in accordance with the political com-

24 Кремль 2015, 43.

25 Кремль 2014, 13(a).

26 This thinking is reflected in the statement made by Vyacheslav Volodin, Deputy Chief of Staff of the Presidential Administration, at a meeting of the Valdai Discussion Club in October 2014, in which he said that there is no Russia if there is no Putin. See, for example, the Moscow Times: ‘No Putin, No Russia,’ Says Kremlin Deputy Chief of Staff, 23 October 2014, <https://themoscowtimes.com/articles/no-putin-no-russia-says-kremlin-deputy-chief-of-staff-40702>, accessed 11 February 2019.

27 Кремль 2014, 12(b).

28 Кремль: *Интервью Дмитрия Медведева российским телеканалам*, 31 August 2008, <http://kremlin.ru/events/president/news/1276>, accessed 11 February 2019.

29 МИД России 2016, 3(e).

mitment of the Responsibility to Protect, adopted by member states of the UN.³⁰ Russia's attitude towards Responsibility to Protect is conflictual, however, and in the Foreign Policy Concept of 2013, Russia still opposed its use as justification for interventions and considered it to be an action violating state sovereignty.³¹ However, Russia itself has intervened when it has suited its foreign policy interests.³² In the 2016 Foreign Policy Concept, the wording has become tougher. Instead of opposing interventions based on the Responsibility to Protect, Russia seeks to prevent them.³³ It is noteworthy that in the section discussing the prevention of conflicts, the Foreign Policy Concept does not differentiate between former Soviet states and other countries neighbouring Russia, such as Finland.

In Russia's view, its sphere of influence covers the area of the former Soviet Union, apart from the Baltic States. It pays particular attention to areas that are linguistically or culturally Russian, or that are otherwise historically particularly close to Russia. Russia's political lexicon already has several established terms describing the special – and in part subordinate – position of the regions around Russia: *near abroad* (ближнее зарубежье), *neighbouring states* (сопредельное государство) and *Russian world* (русский мир) as a general term for the Russian cultural sphere. In addition to strengthening its own position, Russia wants to eliminate competing political alternatives in its neighbouring regions. Russia is seeking to decrease the economic and political influence of Western countries, but has so far not expressed similar concerns about the increasing influence of China and Turkey, for example.

Russia's most important goal regarding its neighbouring states is to prevent NATO's enlargement, and it is prepared to take pre-emptive action to prevent unwelcome developments. Russia has also succinctly communicated to the West, in its words and deeds, that this is a red line that Russia will not permit to be crossed. Outside its "sphere of influence", Russia seeks to maintain a variety of safety zones and buffers against NATO. From this perspective, it is in Russia's interests for the West to be as fragmented as possible, and for the EU and NATO to have poor decision-making capabilities.

30 Ziegler, Charles E: *Russia on the rebound: Using and misusing the Responsibility to Protect*, International Relations Vol 30. (3), 2016, 354–355.

31 МИД России 2013, 31(6).

32 Ziegler 2016, 351.

33 МИД России 2016, 26(в).

2.3 Russia's main objectives in international relations

Global governance and the United Nations

Although Russia's goal is a state-driven world order based on military power, its attitude towards international order and international law is not completely negative. Russia is prepared to support a system of cooperation based on sovereignty in which great powers have a strong and recognised status, particularly in questions related to security.

For Russia, international organisations are tools it can use in pursuing its own interests. Russia considers the country's right of self-determination to be a foundation of all international action, and in international discussion forums, it therefore emphasises inter-governmental relations. Russia sees international organisations in the framework of a multipolar world order where Russia functions as a great power. Great powers like the US, China and Russia are at the heart of this multipolar world order.

Russia is seeking to influence the basic principles and methods of operation of the international system; it supports the principle of non-intervention and opposes liberal values. Russia interprets international law from its own perspective and rejects an interpretation of human rights that emphasises the rights and liberties of the individual, which it considers a cultural concept specific only to the West. Russia has a negative attitude towards concepts that limit countries' right to self-determination. In addition to humanitarian intervention and the Responsibility to Protect, Russia has also often opposed initiatives to strengthen civil society, monitor elections and establish various international investigative commissions.

However, at the same time, Russia sees the post-Soviet space as an exception; there, Russia has the right and obligation to defend Russian "compatriots" and its own interests. Although the EU and NATO membership separates the Baltic States from other former Soviet states, Russia's policy regarding compatriots also applies to them. Russia's key themes in international forums include the position of ethnic Russians, the Russian language and, in general, of Russian cultural heritage. Another important international theme for Russia is the narrative concerning anti-fascism. It has been used to legitimise the use of military force in Ukraine and is part of a greater historical narrative promoted in Russia, based on its victory in the Second World War.³⁴

Its permanent seat on the UN Security Council is the basis of Russia's activities in the UN. The principles and composition of the Security Council conform to Russia's outlook: great powers come together to deliberate issues of war and peace and are able to veto any undesirable resolutions. Although Russia emphasises the importance of a multipolar world order, the country is strictly opposed to reforms of the UN – and particularly the Security

34 Zhurzenko, Tatiana: *Russia's never-ending war against "fascism" Memory politics in the Russian-Ukrainian conflict*, 8 May 2015, Eurozine, <https://www.eurozine.com/russias-never-ending-war-against-fascism/>, accessed 11 February 2019.

Council – as it is afraid of losing its current strong status. Russia is particularly active in the UN in issues related to the use of military power, such as in issues relating to its neighbouring areas, terrorism, nuclear weapons and the militarisation of space.

In the past few years, Russia has also actively supported attempts to define the international norms for cyber activity on the basis of state sovereignty. Its goal is to have the UN General Assembly issue a resolution, and Russia has already received preliminary support for it from the BRICS nations, as well as from the member countries of the Shanghai Cooperation Organisation and the Collective Security Treaty Organization. Russia has also been seeking bilateral treaties with a number of countries, but Western countries in particular have been mistrustful of Russia's aims, suspecting that these proposals represent an attempt by an authoritarian state to legitimise censorship and strict monitoring of citizens as part of international norms.³⁵

Russia is actively using its veto on the Security Council. Furthermore, Russia sees the role of major organisations (such as the Organization for Security and Co-operation in Europe, the Council of Europe and various UN organisations) as purely technical and does not want them to have any independent influence. Russia's diplomats are well versed in mandates, charters and rules, and typically insist that they must be interpreted literally. The siloing in international organisations also suits Russia: weak and ineffective secretariats are unable to dictate resolutions to national governments, who still hold the keys when it comes to resolutions.

Nowadays, Russia's actions are also coloured by conservative values. They are used as a basis for opposing any emphasis on reproductive health in UN activities, for example. However, there is positive cooperation in the UN context in some issues, such as environmental and health policy as well as agricultural policy. Russia has also helped to keep international regulations regarding climate change a topical issue at the UN.³⁶

Russia is effective in its international activities: it actively seeks allies in different groups of countries on an ad hoc basis and nominates candidates for positions that are important for its priorities. Russia wants representation in all decision-making bodies that control or advise these organisations.

Although Russia does not have any permanent allies, the state-driven system is often promoted together with Iran, Venezuela, Cuba and China. Certain CIS countries also often agree with Russia's views in the UN, for example. When the parties' interests coincide, Russia is also supported by the BRICS and G77 countries, the Vatican, and other strictly conservative societies.

35 Chernenko, Elena: *Russia's cyber diplomacy*, 2018, 44–49. In Popescu, Nicu – Secieru, Stanislav (eds.): *Hacks, leaks and disruptions*. Russian cyber strategies, EUISS, 2018.

36 It is easy for Russia to support the current obligations for reducing emissions, because the goals set for it were calculated from the high level of emissions in the Soviet Union in 1990. Therefore, in practice, reaching these goals does not require Russia to take any action.

Russia often enshrouds its great power ambitions in legal justifications and seeks precedents for its power politics in international organisations and treaties. Russia wants to uphold the system of international law, but it sees global governance as one of the many arenas of international political struggle.³⁷ For example, Russia has used the UN Charter as justification for the occupation of Crimea and its illegal annexation. However, Russia strictly condemned the declaration of independence of Kosovo in 2008 and its recognition by other countries, but nevertheless used Kosovo as a comparison for the annexation of Crimea to Russia.³⁸

Relations with the United States

The US and Russia have a long history of tension and disputes. The year 2014 can be considered a watershed moment, when the war in Ukraine resulted in the imposition of sanctions on Russia. In this new situation, Russia is trying to challenge the US more extensively and globally.³⁹

Russia considers the current rules-based world order to be a unipolar system based on US supremacy, where Russia has become the subject of a policy of containment pursued by the US and its allies.⁴⁰ Russia is opposed to the enlargement of NATO,⁴¹ which it considers an attempt by the US to encroach into the area Russia considers its sphere of influence, or too close to it. Russia considers the expansion of Western organisations as even posing a threat to Russian civilisation.⁴²

Russia is seeking an international status comparable to that of the US. According to Russia's Foreign Policy Concept, the US and Russia share special responsibility for maintaining global strategic stability and international security, and cooperation between them can only succeed from a position of equality.⁴³ In turn, the US defined Russia as a strategic competitor in its National Security Strategy of 2017.⁴⁴

Russia is particularly seeking to gain influence at the expense of the US. Since Russia is unable to challenge the US using conventional methods, it seeks to weaken the US in other ways, including by exacerbating internal divisions, dismantling its network of allies, and taking advantage of international power vacuums.⁴⁵

37 Pursiainen, Christer - Forsberg, Tuomas 2019, 240–241.

38 Кремль: Обращение Президента Российской Федерации, 18 March 2014, <http://kremlin.ru/events/president/transcripts/20603>, accessed 11 February 2019.

39 Stronski, Paul – Sokolsky Richard: *The Return of Global Russia. An Analytic Framework*, Carnegie Endowment for International Peace, 2017, 10.

40 МИД России 2016, 61.

41 Ibid. 70.

42 Tsygankov, Andrei P: *The Sources of Russia's Fear of Nato*, Communist and Post-Communist Studies, Volume 51, Issue 2, 2018, 108.

43 МИД России 2016, 72.

44 The White House: *National Security Strategy of the United States of America*, 2017, 2.

45 Stronski – Sokolsky 2017, 2–5.

The mistrust between the two countries has further intensified in the past few years. Surveys indicate that the idea of Russia as an enemy nation started increasing among US citizens after 2012.⁴⁶ Russian people also see a correlation between the poor relations between the two countries and great power politics: According to surveys carried out by Levada-Center, relations between the countries reached record lows during both the Russo-Georgian War and the war in Ukraine.⁴⁷ A thaw in the relations is unlikely, particularly as the Russian government systematically frames actions aimed at restoring its great power status as defensive reactions against US activities.

Russian–US relations are also likely to remain poor because the two states in many cases have interests that are almost diametrically opposed, with little interdependence. In the absence of strong economic interdependence, the US has no particular reason to relax its policy of sanctions. China is the most significant force driving change, and both countries need to prepare for its ascending status.

Strategic partnership with China

Russia and China share the same key interest of replacing the current international system based on liberal norms with one that respects the interests of great powers. Even their first joint proposal for a UN resolution in 1997 included views defending multipolarity and state sovereignty.⁴⁸ Russia and China support each other's aims at the UN and in international organisations, where they share the key objective of being able to decide on the new norms of global governance.⁴⁹ In the current situation, they are both defending their policies more aggressively than in the past.

The conservative turn during Putin's third term in office, Xi Jinping becoming the leader of China in 2012, and the imposition of Western sanctions have paved the way for closer cooperation between Russia and China. This cooperation has become significantly closer, extending to new areas and beginning to resemble genuine strategic cooperation.⁵⁰ The authoritarian models of their governments increase the similarity of Russian and Chinese interests in international politics. However, there is no deep alliance between the countries, and none is on the horizon.

46 Gallup: *North Korea Surges to Top of U.S. Enemies List*, 19 February 2018, <https://news.gallup.com/poll/227813/north-korea-surges-top-enemies-list.aspx>, accessed 11 February 2019.

47 Левада-Центр: *Отношение к странам. Отношение к США*, <http://www.levada.ru/indikatory/otnoshenie-k-stranam/>, accessed 11 February 2019.

48 United Nations: *Russian-Chinese Joint Declaration on a Multipolar World and the Establishment of a New International Order, adopted in Moscow on 23 April 1997*, A/52/153 - S/1997/384, <http://www.un.org/documents/ga/docs/52/plenary/a52-153.htm>, accessed 11 February 2019.

49 Stronski, Paul – Ng, Nicole: *Cooperation and Competition. Russia and China in Central Asia, the Russian Far East, and the Arctic*, Carnegie Endowment for International Peace, 2018, 32.

50 Røseth, Tom: *Moscow's Response to a Rising China, Problems of Post-Communism*, 2018, 4–5; Bolt, Paul J. – Cross Sharyl N.: *China, Russia, and Twenty-First Century Global Geopolitics*, OUP 2018, 41–45.

As relations with Western countries have become more tense, Russia has sought to increase economic cooperation with – and particularly tried to obtain financing from – China instead of the West. Although relations between the two countries are now politically much warmer, expanding their economic cooperation has been difficult. China's negotiating position in relation to Russia has strengthened, and China is not willing to compromise on its own demands in economic issues.

Relations between Russia and China will continue to develop favourably as long as the main international disputes between them concern the policies of Western countries rather than issues where there is a conflict of interest between the two. Their relationship is starting to be disturbed, though, by China's increasingly obvious position of advantage. Russia is keeping a close eye on China's Belt and Road Initiative and the opportunities it provides. The most interesting detail for Russia is the China–Mongolia–Russia Corridor in the Silk Road Economic Belt.

Decisions made by China will be key for further development of the relations between the countries. China can afford to compromise because current trends show that it will grow stronger in any case. It seems that there is a consensus between Russia and China on Central Asia: China is limiting its actions to the economic sphere, leaving Russia to take care of maintaining regional security. This arrangement suits both for the time being, as it serves their current interests.⁵¹

Russia's objectives in Europe

Russia has the objective of creating a new security architecture in which it would have a more prominent role in Europe. Russian leaders and commentators often make reference to "Helsinki II" (referring to the Helsinki process from the Conference on Security and Co-operation in Europe in 1975) or to the "new Yalta" (a reference to the Yalta Conference towards the end of the Second World War). Over the years, Russia has made several unrealistic overtures in that direction. They have been quickly rejected by European nations, which in turn has upset Russia's leadership.⁵² The concrete partial goals include preventing the enlargement of the EU and NATO, and weakening their operational capabilities.⁵³ Rus-

51 Kaczmarek, Marcin: *Russian–Chinese Relations in Eurasia: Harmonization or Subordination?*, FIIA, 2018, 5; Stronski, Paul – Ng, Nicole 2018, 16–17.

52 МИД России: *Вступительное слово Министра иностранных дел России С.В.Лаврова на церемонии официального закрытия российско-германского «перекрестного» Года регионально-муниципальных партнерств, Берлин, 14 сентября 2018 года*, 14 September 2018, http://www.mid.ru/ru/press_service/minister_speeches/-/asset_publisher/7OvQR5KJWVmR/content/id/3344365, accessed 11 February 2019; Кремль: *Меморандум по итогам встречи Президента России Д.Медведева и Федерального канцлера Германии А.Меркель 4–5 июня 2010 года, г.Мезеберг*, 5 June 2010, <http://kremlin.ru/supplement/575>, accessed 11 February 2019; Кремль: *Совместная пресс-конференция с Президентом Франции, Председателем Совета Евросоюза Николя Саркози и Председателем Комиссии Европейских сообществ Жозе Мануэлом Баррозу по итогам 22-го саммита Россия–ЕС*, 14 November 2008, <http://kremlin.ru/events/president/transcripts/2082>, accessed 11 February 2019.

53 Кремль 2014, 12(а).

sia's long-term goal in Europe has been to prevent the US from implementing its missile defence initiative, which Russia views as a military risk factor.⁵⁴

Russia is seeking to drive a wedge between Europe and the US and undermine European unity. A weak and discordant Europe would increase Russia's relative strength. In its political rhetoric, Russia often states that it hopes for a united and strategically independent EU. However, for a country like Russia that emphasises power politics, the European Union as a concept is alien to Russia, both structurally and as an international actor.⁵⁵ It is far easier and more natural for Russia to pursue its objectives bilaterally, particularly with major European countries such as Germany and France. Russia opposes the enlargement of the EU to the post-Soviet space and the Eastern Partnership. Russia has blamed the Eastern Partnership and EU policy for the change of power in Ukraine and for the start of the conflict in Ukraine in 2014.⁵⁶

The interdependence that exists between Europe and Russia limits their willingness for long-term confrontation – unlike the relationship between the US and Russia, where no such mutual dependence exists. In need of economic growth, Russia estimates that even partial lifting of the sanctions imposed by the EU would improve its situation, while on the other hand, the EU needs energy imports from Russia.⁵⁷ However, both parties have prioritised their security policy objectives, making it difficult to foresee any rapid thaw in relations.⁵⁸

Economic interdependence does not mean harmonic cooperation. Russia is in particular utilising the oil and gas trade to sow divisions within the EU's ranks. It improves the chances of isolating some countries by favouring others.⁵⁹ The EU has initiated a strategy to create the Energy union with the objectives of diversifying supply networks, increasing the proportion of renewable energy sources, and establishing joint contract negotiations and a fully integrated internal market. If these objectives are achieved, the EU's political dependence on Russia will diminish.⁶⁰

Russia often differentiates its objectives in Europe according to the specific characteristics of the target countries. Countries with weak governmental institutions and close cultural or historical affinity with Russia are typical targets for Russia's efforts to obtain a degree of social and political influence. Such countries are particularly found in the Balkans and the surrounding areas. In turn, for countries where governmental institutions

54 Кремль 2014, 12(r).

55 Rácz, András – Raik, Kristi: *EU-Russia Relations in the New Putin Era Not Much Light at the End of the Tunnel*, International Centre for Defence and Security, 2018, 3.

56 МИД России: *Выступление и ответы на вопросы Министра иностранных дел России С.В.Лаврова на Германо-Российском форуме, Берлин, 14 сентября 2018 года*, 14 September 2018, http://www.mid.ru/ru/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/3344050, accessed 11 February 2019.

57 Rácz – Raik, 2018, 10.

58 Ibid. 12–13.

59 Martikainen, Toivo – Pynnöniemi, Katri – Saari, Sinikukka – Working group of the Finnish Institute of International Affairs 2016, 34.

60 European Commission: *Energy union and climate. Making energy more secure, affordable and sustainable*, https://ec.europa.eu/commission/priorities/energy-union-and-climate_en, accessed 11 February 2019.

are strong and cultural characteristics are less similar to Russia, the aim is to magnify their internal divisions and to erode public trust in political institutions in order to weaken the ability of these countries to challenge Russia's great power ambitions. Finland falls into this latter category, together with the other Nordic countries.⁶¹

Russia's objectives in the "near abroad"

Russia considers the former Soviet states belonging to its sphere of influence, where other countries have only limited sovereignty. In Russia's political rhetoric, its leadership in the region is often justified by the great power status that Russia inherited from the Russian Empire and the Soviet Union, as well as by the idea of a Russian-led civilisation based on the Russian language, Orthodox Christianity and conservative values.⁶² Russia's tools for maintaining and strengthening its dominance can be divided into three categories: regional integration initiatives, "soft power" initiatives relying on historic and cultural influence as well as influence over identity politics,⁶³ and means of influence based on the threat or use of military force.⁶⁴

In its regional integration initiatives, Russia has established or strongly supported organisations that allow integrating countries together in line with its own national interests. These organisations include the Collective Security Treaty Organisation (CSTO), the Eurasian Economic Union (EAEU) and the Shanghai Cooperation Organisation (SCO).⁶⁵

The key themes in the activities of the SCO are regional security cooperation, Muslim minority issues and economic matters. In addition to international counter-terrorism training exercises, the SCO countries have gradually started to hold conventional military exercises; for example, the Peace Mission 2018 exercise took place in the Urals with the participation of troops from China, India and Pakistan.

Russia has sought to establish functional and politically acceptable alliances built on the basis of CSTO, EAEU and SCO activities (security issues including terrorism and separatism as well as economic issues); however, it has had limited success. This is evidenced by the fact that none of these allies has officially recognised the annexation of Crimea by Russia or the independence of Abkhazia and South Ossetia.

61 Galeotti, Mark: *Controlling Chaos: How Russia Manages Its Political War in Europe*, European Council of Foreign Relations, 2017a, 6–8.

62 Eltchaninoff 2018, 61–62.

63 The concept of soft power constitutes a counterpart for hard power based on the use of military force. Rather than coercion, soft power is based on the attractiveness of the country's culture, identity and values, which make other countries independently adapt their behaviour to the goals of the party wielding power. Ks. Nye, Joseph S. Jr.: *Soft Power. The Means to Success in World Politics*, Public Affairs, New York, 2004, 5–7.

64 Fischer, Sabine: *Russian Policy in the Unresolved Conflicts*, 2016, 13–14. In Fischer, Sabine (ed.): *Not Frozen! The Unresolved Conflicts over Transnistria, Abkhazia, South Ossetia and Nagorno-Karabakh in Light of the Crisis over Ukraine*, Stiftung Wissenschaft und Politik, 2016.

65 The CSTO is discussed in further detail in the section dealing with military matters.

Russia has significant soft power resources in many former Soviet republics. For example, the dominant position of the Russian language, literature, entertainment and media in the region comes with the power to determine how issues are framed and the language that is used when they are discussed and explained. The multitude of interpersonal connections and shared history add closeness to the relations. For example, the Russian Orthodox Church and defence of conservative values in general resonate with many people in the region. In addition, many economic linkages (such as energy infrastructure, debt arrangements, investments and cash flows generated by migrant workers) support Russia's influence in former Soviet states.

Unresolved regional conflicts are an effective means for Russia to maintain its position: the Russian-supported rebel areas of Donetsk and Luhansk in Ukraine, Abkhazia and South Ossetia in Georgia, as well as Transnistria in Moldova.⁶⁶ Although the genesis and regions of the conflicts are different, the toolbox for managing the conflicts includes the same set of instruments, although they are applied in different ways in practice. Russia maintains the regions economically, and they are all dependent on Russia's support and investment. Russia has a strong and permanent military presence in the regions, and their de facto governments as well as their military staffs typically include people with Russian backgrounds.⁶⁷ Russia has also used the issuance of passports to people living in these regions as a tool for exerting political influence.⁶⁸ Managing unresolved conflicts is an efficient way to impede and hinder these countries from forming closer ties with the West and to compromise their internal stability and success in implementing reforms.

Although the Russian government considers its policy based on the use and threat of military force to be an apparently successful one, it also erodes Russia's soft power. Russia's policies have also alienated its traditional partner states, almost all of which would like to balance out the position of Russia in one way or the other, e.g. by developing closer ties with other actors, such as the EU, China or Turkey.⁶⁹ These countries want to keep Russia's integration projects (such as the EAEU) as limited and apolitical as possible. The

66 The illegal annexation of Crimea by Russia and the disputed territory of Nagorno-Karabakh in Azerbaijan are partly elements of the same phenomenon, albeit dealt with separately from other separatist cases.

67 Gerrits, Andre, W. M. – Bader, Max: *Russian patronage over Abkhazia and South Ossetia: implications for conflict resolution*, East European Politics, 2016, Vol 32, No 3, 300–306.

68 Grigas, Agnia: *How Soft Power Works: Russian Passportization and Compatriot Policies Paved Way for Crimean Annexation and War in Donbas*, Atlantic Council 2016, <http://www.atlanticcouncil.org/blogs/ukrainealert/how-soft-power-works-russian-passportization-and-compatriot-policies-paved-way-for-crimean-annexation-and-war-in-donbas>, accessed 11 February 2019; Max Planck Institute: *Independent International Fact-Finding Mission on the Conflict in Georgia, Report, Volume II*, 147–148; 171–174, http://www.mpil.de/files/pdf4/IIFFMCG_Volume_II1.pdf. On the subject in general and on Russia's internal politics in this regard, see Shevel, Oxana: *The Politics of Citizenship Policy in Post-Soviet Russia*, Post-Soviet Affairs 28, No. 1, 2012, 111–147.

69 Popescu, Nicu, Secieru, Stanislav: *Conclusion: The new powers on the (eastern) block*, 2018, 111–114. In Popescu, Nicu – Secieru, Stanislav (eds.): *Third Powers in Europe's East*, Chaillot Papers, European Union Institute of Security Studies, 2018.

smaller member states of the EAEU that are seeking to safeguard their sovereignty consider Russia to be both a source of opportunities and a potential threat.⁷⁰

In turn, Russia often assumes that the former Soviet republics are similar to Russia and act according to the same operational logic as Russia. However, during a period of almost 30 years, these countries have transformed into a heterogeneous group of independent states.⁷¹ It often seems from the Russian perspective that the former Soviet republics are disloyal: Russia allocates considerable resources to supporting its allies, only to be disappointed with their actions in the end. In Russia, the events in Ukraine in 2014 are often cited as an example of this.⁷² Russia expects more reciprocity from the relationships, and in the future, may not be prepared to support these nations as handsomely as before without receiving more tangible political gains.

The Arctic

Russia's major interests also include issues regarding the Arctic, particularly aspects concerning economic, security and other international cooperation. The growing importance of the Arctic is recorded in Russia's key strategic documents, and the region is seen as a strategic stock of resources for the future, as well as a subject of extensive civilian and military development.⁷³ Russia has extensive economic resources in the region. One fifth of the country's GDP is generated north of the Arctic Circle. Some 95 per cent of Russia's natural gas resources and 75 per cent of its oil resources are in the arctic or subarctic regions.⁷⁴

During the last decade, Russia has generally been willing to cooperate in arctic politics, and particularly in the Arctic Council. Russia would benefit from a stable operating environment and international cooperation, which would help it fulfil its economic ambitions in the region. Due to the unfavourable situation in global energy markets, Russia's weak economic position and the sanctions imposed by Western countries, the country's goals associated with energy projects and navigation routes in the Arctic Ocean will be difficult to achieve, at least in the medium term. However, there have been local success stories in the region.⁷⁵

Russia aims to enhance its control of the Northern Sea Route and the utilisation of commercial services provided by Russian companies. However, the country is lacking cap-

70 Moshes, Arkady – Roberts, Sean P: *The Eurasian Economic Union: a case of reproductive integration?*, Post-Soviet Affairs, Vol .32, No. 6, 2016, 554–560.

71 Trenin, Dmitri: *Russia and Ukraine: From Brothers to Neighbors*, Carnegie Commentary, 21 March 2018, <https://carnegie.ru/commentary/75847>, accessed 11 February 2019.

72 Ibid.

73 Министерство экономического развития Мурманской области: *Стратегия развития Арктической зоны Российской Федерации и обеспечения национальной безопасности на период до 2020 года*, 8 September 2014, https://minec.gov-murman.ru/upload/iblock/b36/strategy_azrf.pdf, accessed 11 February 2019.

74 Laruelle, Marlene: *Russia's Arctic Strategies and the Future of the Far North*, M.E. Sharpe, New York, 2014, xxi.

75 Коммерсантъ: *НОВАТЭК сжижает ударными темпами*, 23 November 2018, <https://www.kommersant.ru/doc/3807334>, accessed 11 February 2019.

ital and technology, which is why it has sought to cooperate with China.⁷⁶ China will likely continue to be interested in utilising the resources in the region, such as oil and gas, and is prepared to invest in the development of the region.

However, Russia's and China's interests in the Arctic do not completely converge, which may limit the degree to which they cooperate. Russia's aim of protecting its sovereignty in the Arctic differs from China's objective of keeping the region as open as possible. Since 2013, Russia and China have been holding meetings to discuss the situation in the region in order to reduce tensions. In January 2018, China published the first white paper regarding its Arctic policy, in which it officially defines itself as a "near-Arctic state". The white paper also presents China's aim to connect the Arctic to its new Silk Road Economic Belt by establishing the Polar Silk Road.⁷⁷

Russia is increasingly looking at Arctic issues from the perspective of national security. The importance of the Arctic for Russia will not diminish in the near future, and the country will keep developing its military and natural resources in the region.⁷⁸

76 Stronski, Paul – Ng, Nicole 2018: 27–29.

77 Stronski, Paul – Ng, Nicole: 2018, 26–30; Information Office of the State Council of the People's Republic of China: *China's Arctic Policy*, 26.1.2018, http://www.china.org.cn/government/whitepaper/node_8002699.htm, accessed 11 February 2019.

78 Kämpylä, Juha – Mikkola, Harri – Martikainen, Toivo: *Moscow's Arctic Dreams Turned Sour? Analysing Russia's Policies in the Arctic. FIIA Briefing Paper 192*, Finnish Institute of International Affairs, 2016, 4–8.

3. Methods of foreign policy

3.1 Russia's competitive strategy

Russia is prepared to use military force to defend its own national interests and those of its allies, when “political, diplomatic, legal, economic, informational and other non-violent instruments, have been exhausted”.⁷⁹ This reflects Russia's view of international politics as a constant struggle. The concept of struggle often relates to all strategic interaction. Russia views its relations with adversaries as a state of perpetual competition and part of political activity, where only the degree of intensity of the activity and the methods chosen vary. Russia views having influence through foreign policy as a continuum and a competitive strategy where it pursues its desired outcomes by testing different methods in stages.⁸⁰

Russia's strategic culture seems to have changed very little in this respect. The operational logic of the Soviet Union's foreign policy has been described as an “optimizing strategy”. According to this interpretation, decision-makers set new, gradual political goals when opportunities arise rather than having one main goal. The intensity of the political action is then kept slightly below the threshold where the adversary will react, in order to achieve as many gradual goals as possible. The purpose of the optimising strategy is to maximise the political gains while preventing the mistake of wasting the opportunity by trying to achieve one major victory at excessively high risk.⁸¹

Russia is seeking to keep the initiative and to manage conflicts by obtaining and holding escalation dominance.⁸² Russia's strategy is susceptible to risks, as a favourable outcome for the country depends on the government's ability to correctly estimate the threshold that must not be exceeded if overt escalation of the conflict is to be avoided. However, in principle, Russia tries to achieve its goals with minimal use of force and as little risk as possible.

79 Кремль 2014, 5. See also Pynnöniemi, Katri – Mashiri, James: *Venäjän sotilasdoktriinit vertailussa. Nykyinen versio viritettiin kriisiajan taajuudelle* (Comparison of Russian Military Doctrines. Current version tuned to the frequency of times of crisis), FIIA Report 42, Finnish Institute of International Affairs, 2015.

80 Adamsky, Dmitry: *From Moscow with coercion: Russian deterrence theory and strategic culture*, The Journal of Strategic Studies, Vol 41, Nos.1-2, 2018, 35–36; 52–53.

81 George, Alexander L: *The “Operational Code” A Neglected Approach to the Study of Political Leaders and Decision-making*, International Studies Quarterly, Vol 13, No 2, 1969, 202–211.

82 Covington, Stephen R: *The Culture of Strategic Thought Behind Russia's Modern Approaches to Warfare*, Belfer Center for Science and International Affairs, 2016, 11; George 1969, 211.

The competitive and optimising strategies can be applied to analysing Russia's hybrid influencing. Since the Cold War, countries have become increasingly interdependent, and transnational flows and networks have expanded and strengthened. These interdependencies have created new opportunities for Russia's strategy and hybrid influencing based on it, and have made covert operations more effective and easier to carry out.⁸³

Hybrid influencing

Russia's hybrid influencing in Western countries can be seen as a systematically applied set of various and changing measures; the exact combination of tools and actors varies in each case. In many cases, part of the hybrid influencing belongs to the sphere of normal and completely legal activities between countries. The strategic understanding of the security risks caused by international interdependence has increased as the competition between actors has intensified. Cross-border energy infrastructure and control over it, for example, facilitate the use of energy as a geo-economic tool of foreign policy, and the influencing efforts by Russia in the information and online spheres relies on transnational IT infrastructure.⁸⁴

Russia takes advantage of international interdependences in terms of economies, energy relations and technology. Aggressive activities that limit the operational capabilities of the target country or group (or that seek to induce internal conflicts in them) take place during peacetime, which makes it more difficult for the target country to react to the events.

Networks of political parties and organisations, business life and conventional diplomacy constitute important resources for political influencing.⁸⁵ Russia has the fourth largest diplomatic corps in the world: 242 diplomatic missions in 145 countries.⁸⁶ Russia's diplomatic corps is very professional and well trained. The extent of the resources Russia invests in diplomacy demonstrate its great power ambitions: Russia is a global actor with diplomats stationed in practically all corners of the world.⁸⁷ Russia exerts diplomatic influence in close cooperation with intelligence and security services. It is difficult to distinguish between public diplomacy and information influence activities, partly because of the Soviet

83 Mikkola, Harri – Aaltola, Mika – Wigell, Mikael – Juntunen, Tapio – Vihma, Antto: *Hybridivaikuttaminen ja Demokratian resilienssi. Ulkoisen häirinnän mahdollisuudet ja torjuntakyky liberaaleissa demokratioissa (Hybrid influencing and democratic resilience. Possibilities for external interference and capabilities for resisting it in liberal democracies)*, Finnish Institute of International Affairs FIIA, 2018, 23–24.

84 Mikkola, Harri – Aaltola, Mika – Wigell, Mikael – Juntunen, Tapio – Vihma, Antto, 8; see also Renz, Bettina – Hanna Smith (eds.): *After hybrid warfare, what next? Understanding and responding to contemporary Russia*, Prime Minister's Office, 2016.

85 This section discusses the tools of open public diplomacy; more covert "technologies of political influencing" where intelligence officers play a significant role are discussed in the section on Russia's influencing in the information and online spheres.

86 Lowy Institute: *Global Diplomacy Index 2017*, <https://globaldiplomacyindex.lowyinstitute.org/>, accessed 11 February 2019. (Only the US, China and France have bigger diplomatic corps).

87 Stronski, Paul – Sokolsky Richard 2017, 26–30.

legacy. During the Soviet era, public diplomacy as a whole was led by the Communist Party, and it consisted of propaganda, disinformation, cultural diplomacy and other “political technologies”.⁸⁸ During that period, the main Soviet security agency, the KGB, was responsible for “active measures” aimed at weakening the operational capability of Western societies.⁸⁹

Currently the responsibility for Russia’s public diplomacy (общественная дипломатия) lies primarily with the Ministry of Foreign Affairs and the Presidential Administration. The Federal Agency for the Commonwealth of Independent States Affairs, Compatriots Living Abroad, and International Humanitarian Cooperation (commonly known as Rossotrudnichestvo), which operates under the auspices of the Russian Ministry of Foreign Affairs, is an important actor. It primarily operates in the territory of the former Soviet Union and in countries where Russia has important strategic projects or other interests. Rossotrudnichestvo is currently represented in 81 countries, and it runs 74 centres of science and culture abroad.⁹⁰ In the CIS countries, Rossotrudnichestvo’s activities particularly focus on safeguarding the rights of and services for people that Russia views as compatriots [of the Russian people]. Compatriot issues are often referred to as “humanitarian cooperation”.⁹¹ Furthermore, Russia has been financing NGOs and various political groups, and has sought to use them in influencing the strategic choices made by CIS countries as well as the stability of society in these countries.⁹²

Alongside Rossotrudnichestvo, there are other organisations vested with the task of furthering Russia’s “civilisational” diplomacy objectives. Another important organisation is the Russkiy Mir Foundation (jointly funded by Russia’s Ministries of Foreign Affairs, Culture and Education), which was established in 2007 to defend “Russian civilisation”. The role of the foundation has expanded from defending the Russian people, language and culture to promoting Russian values, Russian civilisation and the idea of Russia as a nation. The operations of the organisation are a mixture of cultural and public diplomacy combined with promotion of geopolitical objectives.

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- 88 Bittman, Ladislav: *Introduction*, 1988, 3–10. In Bittman, Ladislav (ed.), *The New Image-Makers: Soviet Propaganda and Disinformation Today*, McLean: Pergamon-Brassey’s International Defense Publishers, 1988; see also Pynnöniemi, Katri: *Conceptual and Historical Roots of Deception*, 2016, 33–42. In Pynnöniemi, Katri – Rácz, András (eds.): *Fog of Falsehood. Russian Strategy of Deception and the Conflict in Ukraine*, Finnish Institute of International Affairs, Report No. 45, 2016, http://www.fiia.fi/fi/publication/588/fog_of_falsehood/.
- 89 Abrams, Steve: *Beyond Propaganda. Soviet Active Measures in Putin’s Russia*, *Connections: The Quarterly Journal* 15, no. 1, 2016, 6–13.
- 90 Россотрудничество: *О Россотрудничестве*, <http://rs.gov.ru/ru/about>, accessed 11 February 2019.
- 91 МИД России: *Основные направления политики Российской Федерации в сфере международного культурно-гуманитарного сотрудничества*, 2010, http://www.mid.ru/ru/foreign_policy/official_documents/-/asset_publisher/CptICk6BZ29/content/id/224550, accessed 11 February 2019.
- 92 Wilson, Andrew: *Virtual Politics: Faking Democracy in the Post-Soviet World*. Yale University Press, 2006; Saari, Sinikukka: *Russia’s Post-Orange Revolution Strategies to Increase its Influence in Former Soviet Republics: Public Diplomacy po russkii*, *Europe-Asia Studies*, vol. 66, no 1, 2014, 50–66; Mäkinen, S.: *Russia as an alternative model. Geopolitical representations and Russia’s public diplomacy – the case of Rossotrudnichestvo*, 2015, 101–121. In Bassin, M. and Suslov, M. (eds.): *Russian Policy in the Unresolved Conflicts*, 2016, 13–14. Lexington Books, 2015.

In recent years, the role of Russia's Presidential Administration has grown, particularly in the area of exerting covert political influence abroad. An important organ of the Presidential Administration is the Presidential Foreign Policy Directorate, including the department responsible for relations between regions and cultural connections with foreign countries, and the department responsible for cooperation between border regions, which both operate under it. The latter mainly concentrates on Ukraine, South Ossetia and Abkhazia.⁹³

In addition to these institutions, the Alexander Gorchakov Public Diplomacy Fund, which concentrates on public diplomacy, was established in 2010 under the control of the Ministry of Foreign Affairs. It provides grants and organises activities for young people in order to support Russia's foreign policy goals and goals regarding interpretation of history. The fund is particularly focusing on dialogue formats for young people: Dialogue in the Name of the Future, as well as the Balkan, Caucasus and Baltic Dialogues, being examples of this.⁹⁴

The policy of influencing in other countries used to be softer than that employed in the "near abroad". However, these sectors have become increasingly similar in recent years, for example in policy towards EU countries.⁹⁵ Russia has supported both far-left and far-right movements in Europe, even in the same country.⁹⁶ Russia seeks cooperation with all political actors that it thinks will further its own strategic interests.⁹⁷

Influencing in the information and online spheres

The Russian concept of information warfare includes cyberattacks on data networks, electronic warfare and "information-psychological influencing activities". The battle in information space is a permanent part of foreign policy, and it requires cooperation between various actors.⁹⁸ According to Russia's Foreign Policy Concept, the country attempts to influence foreign audiences using new information and communication technologies.⁹⁹ In turn, the importance of controlling the information space is emphasised in the Doctrine of Information Security, where it is identified as a key area in ensuring strategic deterrence.¹⁰⁰ Information warfare is an uninterrupted process: the battle is being fought during both

93 See e.g. Galeotti 2017a, 2–3. The descriptions of subdivisions and names of their chiefs can be found on the website of the Presidential Administration, Кремль: *Подразделения Администрации Президента*, <http://kremlin.ru/structure/administration/departments#department-1009>, accessed 11 February 2019.

94 Фонд поддержки публичной дипломатии имени А. М. Горчакова: *Программы фонда*, <https://gorchakovfund.ru/projects/>, accessed 11 February 2019.

95 Wilson, Andrew: *Illicit Russian money poses threat to EU democracy*, EUobserver 21 April 2017, <https://euobserver.com/foreign/137631>, accessed 11 February 2019.

96 For example in Germany. See Polyakova, Alina – Boyer, Spencer P: *The Future of Political Warfare: Russia, the West, and the Coming Age of Digital Competition*, BBTI, 2018, 6.

97 Stronski – Sokolsky 2017, 30.

98 Adamsky 2017, 42. For cyber activities as part of warfare, see Connell, Michael – Vogler, Sarah: *Russia's Approach to Cyber Warfare*, CNA, 2017, 3–6.

99 МИД России 2016, 47.

100 Кремль: *Доктрина информационной безопасности Российской Федерации*, 2016, 21(a), <http://www.kremlin.ru/acts/bank/41460>, accessed 11 February 2019.

peacetime and wartime, in all possible arenas, both within Russia and abroad. The purpose of these activities is to make the adversary act in a manner that complies with Russia's strategic interests.¹⁰¹

These active measures are still an essential part of the influencing methods Russia uses in Europe. In information warfare and other active measures, Russia operates proactively, trying to gain or retain the upper hand. Its activities follow the principle of competitive strategy, according to which passivity leads to inaction and retreat. Studies on the subject indicate that the key actors include the military intelligence service (commonly referred to as GRU), the internal security service (FSB) and the foreign intelligence service (SVR). Each organisation has its own special expertise, but the areas of responsibility are, in practice, flexible.¹⁰²

The state security services utilise Russia-based organised criminal networks for their operations. Criminal groups can, for example, assist in raising funds for financing active measures, in money laundering, smuggling and even assassinations.¹⁰³ Russia also typically utilises non-state "patriotic hackers" in its cyberattacks; this happened e.g. in the denial-of-service attacks in Estonia in 2007, in Georgia in 2008 and in Ukraine from 2014 onwards.¹⁰⁴ The attacks in Ukraine in 2015 and 2017 are also suspected to have been carried out by Russia.¹⁰⁵ In 2018, the UK's National Cyber Security Centre estimated that GRU is almost certainly behind 12 different hacker groups.¹⁰⁶

Although Russia's active measures draw on Soviet practices, the operating environment is different, as it is more complex and networked, and is more interdependent, which provides countries capable of quick decision-making, like Russia, with an opportunity to turn the conventional strengths of liberal democracy into weaknesses. Apart from being cost-effective, the utilisation of cyber measures is aided by the fact that they are very difficult to trace back directly to Russia.

101 Adamsky 2017, 40–42; Kari, Martti J: *Piiritetty kyberlinnake. Venäjään kohdistuva kyberuhka venäläisten julkisten asiakirjojen mukaan* (Cyber fortress under siege. The cyber threat to Russia according to public Russian documents), University of Jyväskylä, Department of Information Systems Science, 2016, 12–20.

102 Galeotti, Mark: *Putin's Hydra. Inside Russia's Intelligence Services*, European Council of Foreign Relations, 2016, 1–7.

103 Galeotti, Mark: *Crimintern*. How the Kremlin Uses Russia's Criminal Networks in Europe, European Council of Foreign Relations, 2017b, 6–7.

104 Piret Pernik: *The early days of cyberattacks: the cases of Estonia, Georgia and Ukraine*, EUISS, 2018, 54–63. In Secieru Stanislav – Popescu, Nicu (eds.): *Hacks, leaks and disruptions Russian cyber strategies*, European Union Institute for Security Studies, 2018.

105 Styczynski, Jake – Beach-Westmoreland, Nate – Stables, Scott: *When the Lights Went Out. A Comprehensive Review of the 2015 Attacks on Ukrainian Critical Infrastructure*, Booz Allen Hamilton, 2016, 8–10; National Cyber Security Centre, a part of GCHQ: *Russian military 'almost certainly' responsible for destructive 2017 cyber attack*, 15 February 2018, <https://www.ncsc.gov.uk/news/russian-military-almost-certainly-responsible-destructive-2017-cyber-attack>, accessed 11 February 2019. See also Lee, Robert M. – Assante, Michael J. – Conway, Tim: *Analysis of the Cyber Attack on the Ukrainian Power Grid*, E – ISAC, 2016.

106 National Cyber Security Centre, a part of GCHQ: *Reckless campaign of cyber attacks by Russian military intelligence service exposed*, 4 October 2018, <https://www.ncsc.gov.uk/news/reckless-campaign-cyber-attacks-russian-military-intelligence-service-exposed>, accessed 11 February 2019.

Information operations can be used e.g. to disrupt governments, incite protests, confuse opponents, influence public opinion and demoralise adversaries.¹⁰⁷ Typically, the purpose of influencing is to create general mistrust of Western governmental and institutional actors, both in Western states and globally.¹⁰⁸ In a crisis situation, attempts can be made to slow down an adversary's reactions, for example by leaking confidential discussions between politicians.¹⁰⁹ Social media is a convenient platform for psychological influencing. The constantly changing environment makes it difficult to verify whether messages are true, and planting disinformation is easy and cost-effective.¹¹⁰

Data networks are part of Russia's critical infrastructure, and Russia aims to decrease its dependence on other countries. Russia is striving for "digital sovereignty" that is as complete as possible, which means extending state control over the internet in Russia.¹¹¹ Russia has amended the current legislation and is trying to develop software and infrastructure with this goal in mind. In 2016, as many as half of Russian banks were already using the domestic alternative to the SWIFT system, in addition to which, the authorities announced that a closed version of the Internet, intended for military use, is now operational.¹¹²

Russia is already considered one of the great cyber powers.¹¹³ In the future, it wants to be among the first to utilise applications relying on artificial intelligence and big data. Self-learning artificial intelligence allows more personalised influencing on social media, and video recordings can be manipulated with credible results.¹¹⁴ The possibilities for implementing various active measures considerably more effectively than before are common to all tools provided by new technologies.

107 Jaitner, Margarita: *Russian Information Warfare: Lessons from Ukraine*, 2015, 89. In Gers, Kenneth (ed.): *Cyber War in Perspective: Russian Aggression against Ukraine*, NATO CCD COE Publications, Tallinn, 2015.

108 Kofman, Michael – Rojansky, Matthew: *Kennan Cable No. 7: A Closer look at Russia's "Hybrid War"*, Kennan, Institute, Wilson Centre, 2015.

109 Soldati, Andrei – Brogan, Irina: *Russia's approach to cyber: the best defence is good offence*. EUISS, 2018, 18–19. In Popescu, Nico – Decrier, Stanislav (eds.): *Hacks, leaks and disruptions – Russian cyber strategies*, EUISS, 2018; Sinise, Jan: *A Legal Framework for Cyber Operations in Ukraine*, 2015, 125–126. In Gers, Kenneth (ed.): *Cyber War in Perspective: Russian Aggression against Ukraine*. NATO CCD COE Publications, Tallinn, 2015.

110 Lange-Ionatamishvili, Elina – Svetoka, Sanda: *Strategic Communications and Social Media in the Russia Ukraine Conflict*, 2015, 104–109. In Geers, Kenneth (ed.): *Cyber War in Perspective: Russian Aggression against Ukraine*. NATO CCD COE Publications, Tallinn, 2015.

111 Helsingin Sanomat: *Suomalaiset tutkijat: Venäjän valmistelut muun maailman internetistä irrottautumiseksi eivät olekaan propagandaa*, (Finnish researchers say that Russia's preparations for disconnecting from the Internet the rest of the world is using were not propaganda, after all) 29 June 2018, <https://www.hs.fi/kotimaa/art-2000005736787.html>, accessed 11 February 2019.

112 Ristolainen, Mari: *Should 'RuNet 2020' be taken seriously? Contradictory views about cybersecurity between Russia and the West*, 2017, 7–21. In Kukkola, Juha – Ristolainen, Mari – Nikkarila, Juha-Pekka: *Game Changer: Structural transformation of cyberspace*, the Finnish Defence Research Agency, 2017.

113 Popescu, Nicu – Secieru, Stanislav: *Conclusion: Russia – from digital outlier to great cyberpower*, 2018, 118. In Popescu, Nicu – Secieru, Stanislav (eds.): *Hacks, leaks and disruptions. Russian cyber strategies*, EUISS, 2018.

114 Polyakova – Boyer 2018, 6–13.

Economic influencing

Russia's possibilities for economic influencing are limited by the country's relatively small role in the global economy. Many countries nevertheless depend on Russian energy. The energy sector is of paramount importance for the Russian economy, which is why it is in Russia's interests to support energy projects that maintain other countries' dependence on Russian energy resources.

The EU continues to be the most important trading partner for Russia, although Asia (particularly China) has rapidly become more important since 2000. The sanctions imposed by Western countries on Russia have had limited impact on trade between Russia and China, but import bans imposed by Russia have slightly reduced the amount of goods from the EU imported into Russia. In terms of total trade volume, the EU, China and the United States are far more important as trade partners for Russia than Russia is for them. However, Russia's position is stronger in the oil and gas trade. Most direct foreign investment and bank loans to Russia also come from the EU. Russia's possibilities to isolate itself from Western nations are limited because of the economic importance of the EU for Russia.

The Eurasian Economic Union (EAEU) and the more extensive region of CIS countries constitute Russia's primary partnership region in economic matters. The total GDP of countries in the Eurasian Economic Union is approximately 15 per cent of the GDP of Russia, while that of the more extensive region of CIS countries is 25 per cent of the GDP of Russia.¹¹⁵ The emerging role of China in the region is challenging Russia's traditional role as the most significant trade partner for the CIS countries.

Energy resources are a very important factor maintaining the influence of Russia in the Eurasian Economic Union and in the CIS countries. Russia can sell oil and gas to its partner countries at well below market prices, because the volume of this trade is very small compared to the total volume of energy exports by Russia. For example, the Russian state-owned gas company Gazprom reduced the price of gas sold to Armenia on two occasions, in 2013 and 2015. Gazprom's CEO indicated that the price reductions were directly attributable to Armenia's decision to join the Eurasian Economic Union.¹¹⁶ The low price of energy is an example of indirect influencing that can be used, if required, to exert pressure on the subject country. All in all, analysts have been able to identify dozens of such cases, including shutting off the gas supply, blowing up a gas pipeline, and constructing alternative pipelines.¹¹⁷

115 IMF: *IMF DataMapper, GDP, Current prices*, <https://www.imf.org/external/datamapper/NGDPD@WEO/RUS/CIS/ARM/KAZ/KGZ/BLR>, accessed 11 February 2019.

116 Azatutyun: *Russia Agrees To Deeper Gas Price Discount For Armenia*, 28 April 2018, <https://www.azatutyun.am/a/26983718.html>, accessed 11 February 2019.

117 Overland, Indra – Orttung, Robert W: *A limited toolbox: Explaining the constraints on Russia's foreign energy policy*, *Journal of Eurasian Studies* 2, 2011, 78–80; e.g. Reuters: *UPDATE 3-Russia raises gas prices for Ukraine by 80 percent*, 3 April 2014, <https://www.reuters.com/article/ukraine-crisis-gas-idUSL5N0MV2WL20140403>, accessed 11 February 2019.

The situation is somewhat different on the European market. Western European countries are already paying market prices for gas, in addition to which Russia has to compete with liquefied natural gas from the US. Russia has initiated the new Nord Stream and Turk Stream gas pipeline projects, which would bypass Ukraine, Belarus and eastern EU countries. The new gas pipelines will reduce the income from transit tariffs, which is important for Ukraine, and would allow Russia to disrupt exports without impacting end users in Western Europe.¹¹⁸

Russia is also using credit as a means of achieving political commitment. The Maidan Revolution in Ukraine was precipitated by a decision by President Yanukovich to stop association negotiations with the EU after Russia purchased USD 15 billion of government bonds from Ukraine, which was struggling with its payment obligations.¹¹⁹

Of Russia's energy resources, the importance of nuclear energy is likely to keep increasing in the future. In recent years, Russia has considerably increased its exports in the field of nuclear power. Russia currently has 42 nuclear power plant projects in progress in 12 different countries, including in the EU member states of Finland and Hungary.¹²⁰ Russia's main competitor in nuclear power exports is China, which still lags behind in terms of technology. In addition to constructing reactors, Rosatom is providing maintenance-related services, the most important element of which for relations with foreign countries is the supply of nuclear fuel. Russia can use the price and availability of nuclear fuel for leverage, particularly against countries heavily dependent on electricity generation.¹²¹ If successful, these nuclear power plant projects further the growth of Russia's influence and use of soft power in relation to the subject country.¹²²

Companies partly or wholly owned by the Russian state often pursue the country's political goals. These practices reflect the basic characteristic of Russia, where the exercise of power relies on informal networks, and where the benefits generated by companies for the state are not measured only in economic terms.¹²³

118 Henderson, James – Sharpies, Jack: *Gazprom in Europe – two “Anni Mirabiles”, but can it continue?*, Oxford Energy Insight 29, 2018, 13–25.

119 BBC: *Russia offers Ukraine major economic assistance*, 17 December 2013, <https://www.bbc.com/news/world-europe-25411118>, accessed 11 February 2019.

120 In addition to these two countries (and Russia), construction projects are in progress in Turkey, Belarus, India, Iran, China and Bangladesh, and agreements have been signed with Egypt, Nigeria, Jordan and Armenia. Foy, Henry: *Rosatom powers through nuclear industry woes*, 27 June 2017, Financial Times, <https://www.ft.com/content/774358b4-5a4a-11e7-9bc8-8055f264aa8b>, accessed 11 February 2019.

121 The Economist: *Atoms for Peace. The world relies on Russia to build its nuclear power plants*, 2 August 2018, <https://www.economist.com/europe/2018/08/02/the-world-relies-on-russia-to-build-its-nuclear-power-plants>, accessed 11 February 2019.

122 Aalto, Pami – Nyyssönen, Heino – Kojo, Matti – Pal, Pallavi: *Russian nuclear energy diplomacy in Finland and Hungary*, Eurasian Geography and Economics, Vol. 58, No. 4, 2017. 392–393.

123 Martikainen, Toivo – Saari, Sinikukka – Pynnöniemi, Katri – Working group of the Finnish Institute of International Affairs 2016, 14–16; Jääskeläinen, Jaakko J. – Höysniemi, Sakari – Syri, Sanna – Tynkkynen, Veli-Pekka: *Finland's Dependence on Russian Energy—Mutually Beneficial Trade Relations or an Energy Security Threat?*, Sustainability 18, 2018, 9–10.

3.2 Limits of the competitive strategy

Russia's competitive strategy works as long as its adversaries react in a predictable manner and try to adapt to the operations. From Russia's perspective, the chosen policy has produced concrete results, because the country has succeeded in halting NATO enlargement into its neighbouring areas, at least for the time being.¹²⁴ On the other hand, Russia's military operations in Ukraine have led to a strengthening of NATO's deterrence and defence, such as its military presence in the Baltic States and Poland, as well as to closer defence cooperation in the EU.

NATO has gradually broadened the interpretation of what constitutes an armed attack on one member state, as defined in Article 5 of the North Atlantic Treaty. Cyber defence was defined as one of the duties of mutual defence in 2014. In 2016, NATO began preparations for responding to hybrid warfare as part of its mutual defence. In 2018, it was decided that NATO can invoke Article 5 as a response to hybrid warfare. Article 5 can be triggered in any situation that the NATO countries assess as posing a fundamental threat to the security of an individual member state or the entire alliance.

However, the decision must be unanimous, which is why Russia would undoubtedly seek to cause uncertainty in the situation assessment by NATO members. Member states always have several economic and political reasons not to escalate a crisis, particularly when the degree of severity is still uncertain. It is therefore a challenge for NATO to make correctly timed decisions in this grey area when, in the absence of indisputable evidence, attribution is difficult.

Russia's activities have also led to re-assessments in the EU. For the first time in years, there is political will among EU member states to promote a common security and defence policy. For example, five years ago, it would have been seen as unlikely for Russia to interfere with elections in the US or EU, but now preparations against such activities are commonplace in both.

As a result of the updated situational picture, EU countries are politically more prepared to strengthen their security and defence cooperation. Joint operations have, in particular, concerned defence against hybrid influencing, development of strategic communications and defence cooperation. The EU and NATO have agreed on a list of 74 practical measures for improving cooperation. In December 2017, a total of 25 EU states initiated the Permanent Structured Cooperation (PESCO) on a voluntary basis in the manner facilitated by the Treaty of Lisbon. There are now 34 preliminary PESCO projects, with Finland currently participating in four of them.

124 Montenegro joined NATO in 2017 in spite of Russian opposition, and North Macedonia has already advanced to the ratification stage of the membership protocol.

President Emmanuel Macron of France is an active advocate of closer European defence cooperation, and he proposed the European Intervention Initiative, which has been signed by ten European countries, including Finland. The Treaty of Lisbon provides tools for closer cooperation, and in the new situation, the mutual defence obligation in Article 42.7 and the solidarity clause in Article 222 have gained new importance.

The economic sanctions imposed by the EU have also harmed Russia's long-term geo-economic position.¹²⁵ They prevent Russian oil and gas sector companies from accessing Western capital markets, in addition to which they are particularly targeting the sales of foreign technology that the oil sector needs. Major companies in the IT sector have also suffered from the side-effects of an economy weakened by sanctions.¹²⁶

125 Aalto, Pami – Forsberg, Tuomas: *The structuration of Russia's geo-economy under economic sanctions*, Asia Europe Journal, June 2016, Volume 14, Issue 2, 227–234.

126 Abramova, Anna – Garina, Olga: *Russian MNEs Under Sanctions: Challenges for Upgrading in GVCs (Cases of Energy and IT Industries)*, Journal of East-West Business, published online on 24 May 2018, <https://doi.org/10.1080/10669868.2018.1467843>, 10–15.

4. Conclusions for Finland

Russia's policy towards Finland reflects the broader goals of its foreign and military policy. Finland is particularly linked with the goals of Russia's EU and NATO policy. The objectives of Russia's EU policy include that of weakening the organisation's decision-making ability and restricting the development of closer relations with partners in the east. Correspondingly, Russia is seeking to prevent the expansion of NATO and to weaken the operational ability of the organisation in crisis situations. From this starting point, Russia has criticised closer defence cooperation between Finland and Sweden, as well as Finland taking part in military exercises with NATO and key NATO countries.¹²⁷

The conflict in Ukraine and the toughening methods used in Russian foreign policy have led to re-assessments of Russia policy in the EU and in EU member states. The changes in the situational assessment are reflected in the Finnish Government Report on Finnish Foreign and Security Policy published in 2016, which states the following:

"The security of Europe and the Baltic Sea region has deteriorated. Russia annexed the Crimean Peninsula and created the crisis in eastern Ukraine. A vicious circle has evolved, resulting in increased tension and military activity in the Baltic Sea region. In recent years Russia has also increased its military footprint and activity in the Arctic, where the situation, so far, has remained relatively stable. Russia uses a wide range of military and non-military instruments in advancing its interests. The security policy environment of Finland, a member of the western community, has transformed. A more tense security situation in Europe and the Baltic Sea region will directly impact Finland. The use or threat of military force against Finland cannot be excluded."¹²⁸

Finland's policy regarding Russia reflects the five guiding principles of the EU's Russia policy. These principles are: full implementation of the Minsk agreements, closer ties with Russia's former Soviet neighbours, strengthening EU resilience to Russian threats, selective engagement with Russia on certain issues such as counter-terrorism, and support for interpersonal contact.¹²⁹ In spite of the limited cooperation, Finland is seeking to communicate to Russia that Finland is a predictable and reliable actor that seeks dialogue with its neighbouring country in all circumstances.

Finland is part of the Western community, and the country's security policy decisions reflect this position. If new conflicts emerge or existing ones intensify in the Baltic Sea region or elsewhere in Europe, it would be very difficult for Finland to remain outside such

127 See Lalu, Petteri: *Suomen ja Ruotsin läntinen puolustusyhteistyö herättää voimakasta kritiikkiä – ministeri Šoigu toi esille jopa vastatoimien tarpeen* (Western defence cooperation between Finland and Sweden gives rise to strong criticism – Minister Shoygu even mentioned the need for countermeasures), National Defence University, Department of Warfare, publication series 3: white papers no. 7, 2018, 4.

128 Prime Minister's Office: *Government Report on Finnish Foreign and Security Policy*, 2016, 13.

129 European Parliamentary Research Service: *The EU's Russia policy: Five guiding principles*, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614698/EPRS_BRI\(2018\)614698_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614698/EPRS_BRI(2018)614698_EN.pdf), 2018, accessed 11 February 2019.

a conflict. Finland's increasing involvement in Western defence arrangements may lead to increased criticism and pressure from Russia.

Russia is seeking to influence Finnish public debate and decision-making regarding security policy. The two main messages to Finland from Russia's foreign policy and influencing operations are as follows: 1) Finland and Russia are good neighbours, and Russia values good and well-functioning relations with Finland. 2) These good and well-functioning relations cannot be taken for granted; rather, Finland needs to actively maintain its neighbourly relations by acting "responsibly" when making its political choices, i.e. it needs to take into account the main interests of Russia.

The two basic messages from Russia are communicated through a variety of channels. In particular, the first positive message is conveyed directly through official channels: during high-level visits, in official communiques and in meetings at various administrative levels. The second, less-positive, warning message is typically conveyed indirectly through unofficial channels.

The change in Russian practices that took place in the winter of 2015/2016 at two northern border-crossing points between Finland and Russia can be considered to be an example of such a warning message. Russia suddenly relaxed its tight border controls and allowed 1,713 third-country nationals to cross the border and seek asylum in Finland. After a temporary agreement restricting border crossings was signed through bilateral negotiations, Russia restored border control and stopped the influx of asylum seekers. The case indicates how practical measures were taken to demonstrate that friendly relations between neighbours cannot be considered self-evident and that Russia can use other kind of actions, destabilising to Finland, when it wants to. It is likely that the operational capabilities of the Finnish authorities and the development of public opinion in an exceptional situation were also being tested at the same time.¹³⁰ For Finland, the events were an important reminder of the fact that established practices and the trouble-free cooperation that had existed for many years can change quickly and without any explanation.

130 Martikainen, Toivo – Saari, Sinikukka – Pynnöniemi, Katri – Working group of the Finnish Institute of International Affairs, 2016, 53–54; As noted in Martikainen, Toivo et al., prior to the influx of asylum seekers at the Russian–Finnish border, there was a brief seemingly similar case at the Russian–Norwegian border. That case has been explained by changes in prices of journeys from conflict areas (Syria, North Africa) to Europe – i.e. that the Eastern European route became so expensive and unsafe that asylum seekers sought alternative routes. This line of argumentation does not seem to apply to the Finnish case: many of the asylum seekers at the Russian–Finnish border had spent years in Russia and represented almost 40 different nationalities, including from states such as Pakistan and Nepal. In this case, the price of the journey from conflict areas to Europe is not a sufficient factor explaining the sudden influx of refugees. See Martikainen, Toivo – Saari, Sinikukka – Pynnöniemi, Katri: *Neighbouring an Unpredictable Russia. Implications for Finland*, FIIA, 2016, 15–16; Moe, Arild – Rowe, Lars: *Asylstrømmen fra Russland til Norge i 2015: Bevisst russisk politikk?*, Nordisk Ostforum Vol 30, No 2, 2016: <https://tidsskriftet-nof.no/index.php/noros/article/view/432>, accessed 6 May 2019. A recent Finnish study concluded that although Russia is one the centers of global migration and living standards of immigrants in Russia can be extremely low, human smuggling and governmental corruption were instrumental in enabling the journey from Russia to Finland, after "borders were opened". See Piipponen, Minna – Virkkunen, Joni: *Venäjän kansainväliset muuttoliikkeet ja Suomi* (Russia's international migration flows and Finland), The Strategic Research Council (SRC), 2019, 2–4.

In their official contacts, Russian authorities nevertheless emphasise the good relations between the two countries. In this respect, Russia's policy regarding Finland clearly differs from the messages sent to the other Nordic nations. News reporting by Russia's state-run media regarding the Nordic countries and the Baltic States portrayed Finland as the only country to emphasise good relations with Russia.¹³¹ By contrast, Sweden, Norway, the UK and Latvia were at times subject to very harsh and confrontational language. The positive message is occasionally enhanced by a reminder of the negative consequences of joining NATO. One example of this is President Putin's description of Finland as a potential theatre of war between NATO and Russia.¹³²

The "good neighbours" discourse, while sounding good, may also be problematic for Finland: On one hand, the risk of the relationship breaking down is mentioned, and on the other, the right kind of politics are commended and rewarded. However, strategic communication is only one instrument in the toolbox of political influencing.

Since the energy trade is likely to remain important for Russia's economy, it is in Russia's interests to promote energy projects that maintain dependence on Russian energy. The energy trade is also being used to implant Russian presence and the accompanying soft power in Finland.

The ongoing technological transformation has changed – and will continue to change – the forms of political influencing. The flow of information has become faster, public debate has become more fragmented, and covering up actions intended to destabilise society has, in part, become easier. These factors pose a challenge to political decision-making and its effectiveness, particularly in a crisis situation. Hybrid influencing and other extensive security threats concern society as a whole, and identifying them and preparing for them requires extensive cooperation between different actors at many levels.

131 Kaljula, Diana – Juurvee, Ivo: *Narratives About the Nordic-Baltic Countries Promoted by Russia*, 2018, 71–77. In Lange-Ionatamišvili, Elina (ed.): *Russia's Footprint in the Nordic-Baltic Information Environment*, NATO Strategic Communications Centre of Excellence, 2018.

132 Кремль: Заявления для прессы и ответы на вопросы журналистов по итогам российско-финляндских переговоров, 1.7.2016, <http://kremlin.ru/events/president/transcripts/52312>, accessed 11 February 2019.

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RUSSIA'S MILITARY DEFENCE AND DEFENCE INDUSTRY RESOURCES

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Introduction

This part consists of two sections discussing Russia's military defence and the resources of its defence industry. The section concerning Russia's military defence describes how Russia prepares its military defences. The major issues include the character of war, models of military threats, as well as the military capabilities of the Russian Armed Forces and their development over the next ten years. The section discussing defence industry resources first reviews the Russia's opportunities for military procurement based on economic growth prospects, as well as past and future budgets. Russia's military procurement is discussed in the light of the results of the ten-year State Armament Programme to 2020, and on the basis of information available of the next State Armament Programme, which will run up to 2027. Finally, it analyses the situation, development aspirations and weapons exports of the Russian defence industry.

RUSSIA'S MILITARY DEFENCE

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1. Introduction

Emperor Alexander III, who ruled Russia from 1881 to 1894, described his realm in a manner that also aptly describes it today: “We only have two reliable allies in the whole world, our army and our navy. Everyone else will rebel against us at the first chance.”¹ Paradoxically, Russia did not wage a single war during the reign of Alexander III. The Russian Federation, the heir of Soviet Union following its dissolution, has during its 30-year existence been party to several internal and external military conflicts.

This sub-section discusses the mission of Russia’s military strategy, the character of war, as well as the duties, structure and capabilities of armed forces and assesses the importance of armed forces from the perspectives of Russia’s stability and Finland’s security.

2. Russia’s view of the character of war

Military strategy – the highest level of the art of war – relates to planning and leading the military defence of the Russian state. In Russia, “military strategy” means the practical activities of government and senior military command aimed at achieving the goals of the doctrines defining the country’s national security. Military strategy has several goals: to study the characteristics of modern military conflicts and ways to prevent them; to develop the performance requirements for the armed forces; to develop principles for military deployment and strategic planning; and to lead the defence planning and armed forces of the country – in peacetime and in times of conflict.²

The *characteristics of modern military conflicts* described in Russian military strategy are understood in the West as the *character of war*, which means a perspective on aspects including military threats, the preparations that they require, the nature of war, elements of military force and the level of technology. The term *nature of war* refers to the goals that can be pursued by means of war and the means that can be used, as well as to the fundamental essence of war as a violent struggle. The character of war is interpreted as constantly changing, whereas the nature of war is considered permanent³.

In Russian military policy, war is viewed in the same manner as it was by Carl von Clausewitz: “*War is a mere continuation of policy by other means.*”⁴ The essence of this point of view is that war is seen as a political tool. Such an *instrumentalist* view of war is a legacy of the Soviet ideology, which adopted Clausewitz’s point of view, but further speci-

1 Александр Михайлович 1933.

2 Рогозин 2004, 60–61; VES 2007, 699.

3 Raitasalo 2005, 316, cf. Strachan 2013, 259, 265–266, 282. Strachan uses the concepts of character of war (conflict) and nature of war. The character of war is in a state of constant change for social, political and technological reasons, among others. Conversely, the nature of war is permanent.

4 Рогозин 2004, 36–37; VES 2007, 154.

fied it by including reflection of internal politics in wars⁵. The key objective of Russian military policy is to prevent disagreements from escalating into military encounters, and the aim is to stop and control the spread of military conflicts. For this, strategic *deterrence and dissuasion* are used⁶. Strategic deterrence and dissuasion are established through comprehensive means – in other words, not just by the use of military force.

Actions by the Russian state – and particularly its power ministries and agencies – for creating strategic deterrence and dissuasion are described in the text box below.

Actions by the entire state

1. The military and economic power of the state
2. Proactive political, diplomatic and information-based action to resolve conflicts by peaceful means

Actions by the armed forces and other power ministries and agencies

- Military support for political, diplomatic and economic means – by a show of force, when required
- Readiness for combat and mobilisation
- Reconnaissance, counter-reconnaissance and information activities
- Participation in peacekeeping and counter-terrorism operations
- International military cooperation
- Securing the integrity of aerospace, borders and sea areas with military means
- Organising and preparing theatres of war, regional defence and civil defence
- Cooperation between power ministries and agencies in resolving internal conflicts
- Securing the country's borders and key sites

Text box 1. Activities of the Russian state and its power ministries and agencies (armed forces, security services, National Guard, Ministry of Emergency Situations) for establishing Russia's strategic deterrence and dissuasion. The detailed areas of application of these activities are presented in the Military Doctrine.⁷

5 Ленин 1969, 311–316; Lalu 2014, 65.

6 Военная доктрина 2014, §18–21; Adamsky 2015, 31–43.

7 Военная доктрина 2010, §19; Военная доктрина 2014, §19–21; Гареев 2008.

According to an article written by General Valery Gerasimov, Chief of the General Staff of the Armed Forces of Russia, which inspired several references and interpretations, the ratio of non-military to military action used in resolving conflicts is 4:1⁸. However, Russia's range of methods for military action are not the final means to be used as part of the resolution of conflicts from the theoretical or practical points of view; rather, Russia is typically flexible in its choice of methods and their intensity.

More solid evidence of Russia's attitude towards war as a tool of politics is provided by the actual military action it undertakes than by the theoretical viewpoint. Examples of this include the Russo–Georgian War and the seizure of the Crimean Peninsula from Ukraine and its annexation to Russia's own territory by way of a referendum organised during the military takeover, as well as its interference with the civil war in Syria. None of the military campaigns related to these conflicts were necessary for Russia from the perspective of its military security. The war in Ukraine, in particular, has demonstrated that the risk of damage to its reputation abroad as a result of violating international law does not prevent Russia from using its armed forces in the territory of neighbouring countries to pursue its own interests.

From the Finnish point of view, the pursuit of political or economic interests by active deployment of military means seems alien. The publicly expressed goal of Finland's foreign and security policy is "to strengthen Finland's international position, to secure Finland's independence and regional integrity, to improve the security and wellbeing of Finns and to ensure that the society functions efficiently. The primary aim ... is to avoid becoming a party to a military conflict."⁹ In other words, Finland can only be drawn into a war, not begin one; and war is at least not seen as an instrument that Finland itself would choose to use to achieve political aims or for pursuing its own interests.

2.1 Russia's perception of military threats

Russia's publicly stated perception of military threats includes changes in policy that are unfavourable to Russia taking place in the post-Soviet space, known in Russia as *colour revolutions*, as well as an extensive *massed missile and air strike* by a US-led alliance. In the colour revolution threat model, there would be activities controlled from outside the country in question aimed at destabilising the pro-Russian government through providing support to opposition groups, creating controlled chaos leading to a change of government. The main tools for missile and air strikes would likely be cruise missiles launched from US vessels and aircraft, aimed at destroying Russia's nuclear weapons and other military targets.

8 Герасимов 2013.

9 Prime Minister's Office 2016, 9.

Obsolete or outdated military technology has also been mentioned as a threat, as it could cause unpleasant surprises to Russia in a military conflict.¹⁰

The degree to which the above models of threat correspond to the actual situation or even to the official threats recognised by the Russian Armed Forces is open to interpretation. However, Russia has itself described the changes in power taking place in its neighbouring countries as “colour revolutions”. The proven capability of Western countries, primarily the USA, to carry out air and missile strikes outside their own territories has been described as dangerous. The administrative measures, armament and exercises carried out by Russia indicate that comprehensive political, legislative and military methods are being developed for averting them.

According to the legislation governing the defence of Russia, the duty of armed forces is to prevent or counter any armed attacks on the Russian Federation and to protect its integrity and territorial integrity, as well as to fulfil other duties and international obligations set out in legislation.¹¹ According to an addition to the law in 2009, the armed forces can also be used outside Russia’s borders to repel attacks on armed forces or on other troops and actors, to prevent or repel attacks on other countries on the basis of a specific request made by the country concerned, or to protect Russian citizens from armed attacks.¹²

2.2 Indirect and asymmetrical influencing methods

Russian strategy documents and military theory presentations often discuss the use of indirect and asymmetric influencing methods. In the national security strategy, these actions are defined as follows:

“Interrelated political, military, military-technical, diplomatic, economic, informational, and other measures are being developed and implemented in order to ensure strategic deterrence and the prevention of armed conflicts. These measures are intended to prevent the use of armed force against Russia, and to protect its sovereignty and territorial integrity.”¹³

The strategic documents of Russia’s security policy do not precisely specify the circumstances in which Russia would deem it legitimate to take indirect preventive action. In that sense, the previously clear demarcation between war and peace is becoming fuzzy. The early stages of the conflict in Ukraine and Russia’s post-facto justification for the use of military force in the occupation of Crimea give some indication what this entails. The national security strategy emphasises the role of Russia’s “active foreign policy” and the fact that its goal is to create the prerequisites for stable international relations. In addition, it states:

10 Гареев 2014, 9–10; Полегаев & Алферов 2015, 3–10.

11 Об обороне 1996, §10.2.

12 О внесении изменений в Федеральный закон ‘Об обороне’ 2009.

13 Стратегия национальной безопасности 2015, §36.

“In the sphere of international security Russia remains committed to the utilization of primarily political and legal instruments and diplomatic and peacekeeping mechanisms. The utilization of military force to protect national interests is possible only if all adopted measures of a nonviolent nature have proved ineffective.”¹⁴

The definition presented describes non-military and military action as a sort of a linear continuum where the use of military action would signal the escalation of the conflict. Nevertheless, Russian texts deliberating the change in the character of war have, in recent years, paid particular attention to the interweaving of non-military and military action, as well as to the fact that drawing a clear line between peace and war is becoming increasingly difficult.

In the debate concerning indirect military measures, ways of counterbalancing the military superiority of the USA in a military conflict are being contemplated. If Russia were not able to respond to the kind of missile and air strikes described above with ground operations or its own long-range weapon systems, the enemy could instead be impacted by destroying vital targets or targets dangerous to the environment with strikes carried out by special operations forces.¹⁵ The scope for the indirect use of military force also includes the participation of armed forces in an information war, which some analysts have even suggested should be among the most important duties of the armed forces¹⁶. Impressive military exercises and the associated active communication are an essential part of information warfare as waged by the armed forces.

2.3 Russia’s attitude to NATO, international military cooperation and its own collective international military cooperation

Russia says that it is seeking to find a balance with NATO and is assess its relationship with NATO on the basis of the results achieved towards this goal. From Russia’s perspective, if NATO were to concentrate on counter-terrorism operations, combating piracy and limiting drug trafficking, these would not be viewed as destabilising activities. However, Russia’s attitude towards NATO expansion is unequivocally negative. This is based on military realism – an expanded NATO would enhance the military infrastructure of potential opponents: garrisons, air and naval bases, and weapon systems in the vicinity of Russian territory.¹⁷ Closer military cooperation between Finland and Sweden with NATO in defending their own territories or the territory of NATO members is also seen as a development that weakens Russia’s military security, because, according to Nikolay Makarov, former Chief of

14 Стратегия национальной безопасности 2015, §29.

15 Чекинов & Богданов 2010, 46–53.

16 Суровикин & Кулешов 2017. Surovikin presented a list of proposed new duties for Russia’s military back in January 2014, see Суровикин 2014, 41.

17 Концепция внешней политики Российской Федерации 2013, § 63–64; Военная доктрина 2010, §8а; Военная доктрина 2014, 12а; Герасимов 2015; Lalu 2016, 49.

the General Staff of the Armed Forces of Russia, this “may in certain circumstances even pose a threat to Russia’s security”. According to Sergey Shoygu, Russia’s current Minister of Defence, military cooperation between Finland, Sweden and NATO create greater mistrust, forcing Russia to respond.¹⁸

In its attitude towards NATO and cooperation with it, Russia is systematically seeking a position where the political systems of Russia’s Western partners bow to solutions that conform to Russia’s security needs. Finland’s declarations in its own government programmes limiting its freedom in security policy, such as the statement in the government programme in 2011 that Finland would not prepare a NATO membership application¹⁹, are serving Russia’s goals. It is obvious that it is also in Russia’s interests to influence Finland’s future policy decisions and resolutions. However, these perspectives that take Russia’s needs into account and the solutions based on them often seem to totally ignore the fact that Russia’s own actions are destabilising the international security system.

Russia considers the post-Soviet space to be the most important area for its foreign and security policy, as well as the area most likely to see military conflicts. The cooperation organisation of the Commonwealth of Independent States (CIS) is the Collective Security Treaty Organization (CSTO).²⁰ The military troops of the CSTO consist of regional forces and the mobile Collective Operational Reaction Force. Russia has regional forces with Belarus, Armenia and some Central Asian countries. The CSTO has the goal of establish a 20,000-strong force, the Collective Operational Reaction Force (CORF) to be used in the territories of treaty countries, as well as smaller, 4,000-strong, mobile forces that can be deployed outside the CSTO area.²¹ However, the CSTO is not becoming an eastern equivalent of NATO. CSTO cooperation – particularly joint exercises associated with Russia’s strategic manoeuvres – creates good prerequisites for Russia’s military crisis management in the organisation’s territory.

2.4 Russia’s military capabilities and their development

After the collapse of the Soviet Union, the capabilities of Russia’s conventional armed forces were assessed, both in Russia and abroad, to be poor and their readiness weak. Russia struggled to find troops to deploy for its wars in Chechnya. In spite of several reform programmes, Russia’s military security was only guaranteed by its strategic nuclear deterrent. The deficiencies found in the capabilities of the country’s armed forces in the Russo–Georgian War sparked the start of a series of extensive reforms in the armed forces in autumn 2008.²²

18 Makarov 2012; Gorenburg 2015; Шойгу 2018; Lalu 2018.

19 Government programme 2011, 22.

20 Концепция внешней политики Российской Федерации 2013, §42, §47.

21 Norberg 2013, 6, 21–24.

22 Иванов 2003, 3; Blank 2003, 1–26; Mcdermott 2008; 485–501; Bartles 2011, 55–80.

The goals of these reforms were defined as transforming all military units into permanent-readiness units, making the command and control system more effective, updating the training programmes for professional soldiers, equipping the troops with up-to-date weaponry, and improving the status of military personnel in society.²³ According to Anatoliy Serdyukov, then Minister of Defence, the main aim of the reform was to create a performance-capable, mobile, and maximally armed military ready to participate in at least three regional and local conflicts.²⁴

3. Russian Armed Forces

3.1 Command system

In Russia, decisions on whether to employ the armed forces or other military forces are taken by the president in the role of supreme commander, who also decides on the use of nuclear weapons. Decisions on whether to employ the armed forces or other military forces outside Russia's territory or for tasks not in line with their main purpose are taken by the Federal Assembly.²⁵ The Russian Ministry of Defence is part of the armed forces and acts as both a steering and an enforcing military authority. The Ministry of Defence leads other ministries in defence-related duties.²⁶

In practice, decisions by the political leadership in Russia about deploying military forces – even outside Russian borders – have been rapid, proactive, and centralised with the president. At the start of a documentary aired on Russian TV about the events in Crimea, President Putin explains how he made the decision to deploy military force in connection with the occupation of the peninsula in spring 2014 in the presence of only a few directors from the security services and the Ministry of Defence²⁷. On 1 March 2014, the Federal Assembly agreed to the request made by the president on that day to deploy military force in the territory of Ukraine²⁸. In reality, though, the Russian Armed Forces had started seizing key sites in the Crimea several days previously using soldiers wearing uniforms without national insignia.

A similarly rapid decision on the use of military force occurred when Russia began military operations in Syria on 30 September 2015. Preparations for Russia's participation in

23 Гафутулин 2018; Мясников 2008; Lalu 2014, 349–353.

24 Литовкин 2008.

25 Об обороне 1996, Статья 4–5; Военная доктрина 2014, §27.

26 Mil.ru 2018a; VES 2007, 186.

27 Кондрашов 2015.

28 Lenta.ru 2014.

the Syrian civil war in support of the regime of President Al-Assad had already taken place the preceding year²⁹, but even during the meeting of the UN General Assembly on 28 September 2015, Putin did not mention that Russia was planning any military engagements.³⁰ Putin requested, and received, from the Federal Assembly unanimous approval to begin military operations outside the country's borders on 30 September 2015.³¹ Strikes against rebel forces started on the same day.³²

The General Staff of the Armed Forces of the Russian Federation, part of the Ministry of Defence, is responsible for the strategic planning of defence and development of the basis of the country's military security. The General Staff coordinates other state agencies and actors in defence-related duties. According to a decree issued by President Putin in 2013, the General Staff leads the work of producing *the defence plan of the Russian Federation*. The plan gives guidelines for the comprehensive defence of Russia and includes the establishment of the state's military organisation required for wartime defence.³³ The command system of Russia's military organisation is shown in Figure 1.

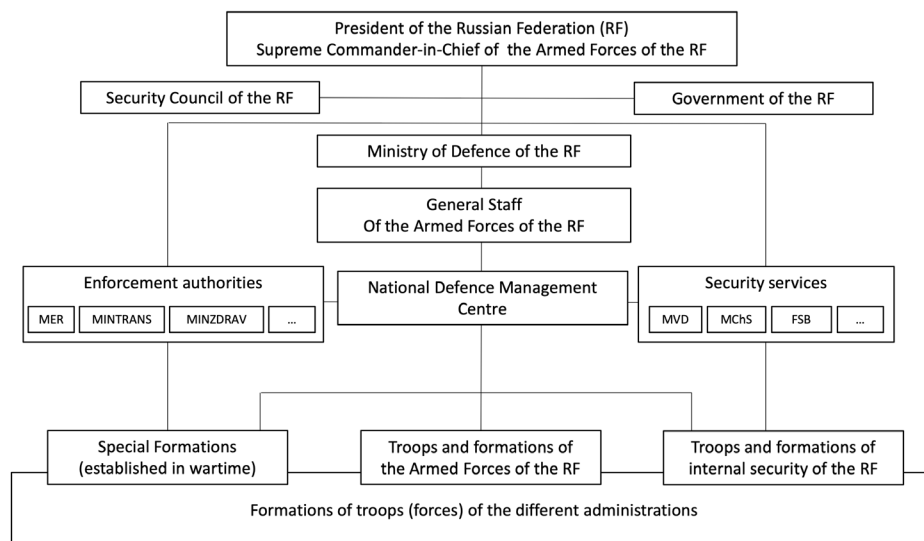


Figure 1. Command system of the Russian state military organisation³⁴. Legend: MER = Ministry of Economic Development; Mintrans = Ministry of Transport; Minzdrav = Ministry of Health; MVD = Ministry of Internal Affairs; MChS = Ministry of Emergency Situations; FSB = Federal Security Service of the Russian Federation.

29 IHS Jane's 2015.

30 Путин 2015.

31 Российская Газета 2015.

32 Lenta.ru. 2015.

33 Герасимов 2014, 15–17.

34 Герасимов 2014, 17.

The National Defence Management Centre (NMDC) established in 2014 allows the daily operations of armed forces to be centrally led and is responsible for keeping the armed forces and top government officials up to date on the situational picture of military security. The NMDC coordinates and adapts the operations of companies essential for the armed forces and other security authorities in exceptional situations of different degree of severity.³⁵ The establishment of NMDC is also indicative the development of the armed forces' command system. The digital command system is described as being capable, protected and secure³⁶.

The military districts of Russia's Armed Forces were traditionally vested with the responsibility for commanding the Ground Forces. In the military reform initiated after the Russo-Georgian War, they were reorganised into Joint Strategic Commands capable of commanding all services. All of the non-strategic armed forces in each military district – Ground Forces, navy and Air Force using conventional weaponry – operate under the authority of the commander of the military district.³⁷ The military reform reduced the number of military districts from six to four in 2010. However, the Northern Fleet Joint Strategic Command, comparable to a military district, was established in December 2014 for Russia's Northern Fleet, which is responsible for an extensive area, including almost all arctic sea territories bordering Russia.³⁸ The military districts and their areas of responsibility are shown in Figure 2.

The Russian Armed Forces are divided into three defence branches: the Ground Forces, the Aerospace Forces and the Navy. The Strategic Missile Troops (responsible for the ground component of strategic nuclear weapon deterrent) and the Airborne Troops are both separate branches of the armed forces. In addition to these, the armed forces have special operations troops as well as branches and sectors external to the services, specialising e.g. in logistics. Although officially the Russian Armed Forces comprises just over one million military positions, the number of military personnel in active service has been estimated at 900,000 soldiers, while there are an estimated two million soldiers in the reserves who are available for mobilisation.³⁹ The organisation of the Russian Armed Forces is shown in Figure 2.

35 Mil.ru 2018a.

36 Рамм & Круглов 2018; Владыкин 2014; Мясников 2014.

37 Объединённое стратегическое командование (ОСК). Literal translation: Joint Strategic Command. Most English sources use the term Operational Strategic Command (FOI 2016, MilBal, 2017), which however differs in meaning from the Russian name and omits the reference to joint command of services.

38 РИА Новости 2014.

39 Указ президента 2017; Жуковский 2018; MilBal 2018, 192. The estimate in Military Balance 2018 includes the soldiers moved to reserve from military training during the last five years. According to the official personnel composition, there are a total of 1,902,758 positions in Russia's armed forces in 2018, of which 1,013,628 are military positions. The total number of military personnel in the Russian Armed Forces has remained at around one million for the last ten years.

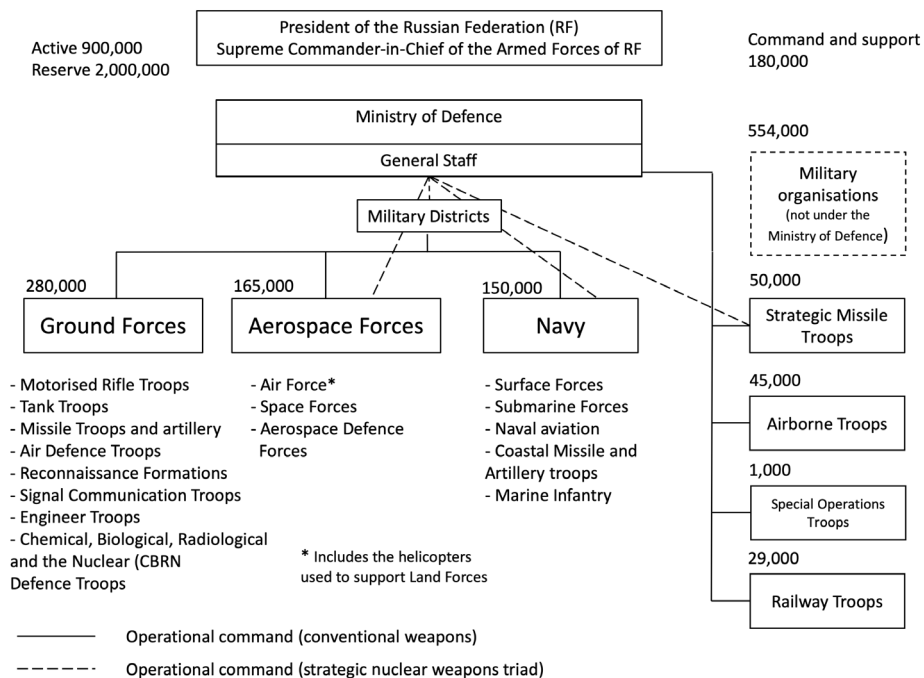


Figure 2. The organisation and command structure of the Russian Armed Forces. The military districts are in charge of the operational planning and deployment of Ground Forces, Navy and Air Force troops in their respective areas of responsibility.⁴⁰

3.2 Nuclear weapons

Nuclear weapons are among Russia's primary military methods of strategic deterrent, aimed at preventing conflicts from escalating. Nuclear weapons are primarily intended for a counterstrike if Russia or its allies are subjected to a nuclear strike. The secondary objective is to be able to launch a first strike if Russia or its allies are attacked by weapons of mass destruction. Thirdly, nuclear weapons may also be used for a first strike if an attack using conventional weaponry threatens the existence of the State of Russia.⁴¹ According to the Military Doctrine, the Supreme Commander-in-Chief of the Armed Forces (i.e. the president) decides on the deployment of nuclear weapons, albeit that the power to decide on a counterstrike has also been delegated to other high-ranking members of military

40 Mil.ru 2018a; MilBal 2018, 192.

41 Арбатов, Дворкин, & Ознобищев 2010, 50,61; Военная доктрина 2014, §27.

command in the eventuality of an unexpected situation. The publicly expressed principles for the deployment of nuclear weapons do not lend themselves to drawing conclusions about Russia's use of nuclear weapons in a combat environment during a military conflict.

Russia's nuclear weapons is divided into between the strategic nuclear weapons triad, and non-strategic⁴² nuclear weapons to support combat operations by different defence branches. The strategic nuclear weapons triad consists of the Strategic Missile Forces, nuclear-powered submarines carrying intercontinental nuclear missiles, and strategic bombers of the Long-Range Aviation branch and their weaponry. The part of the triad with the highest degree of readiness are the missile divisions with decentralised locations deep in Russian territory. They are kept under constant readiness to execute strategic nuclear strikes in a matter of minutes. The naval component of the triad, based on submarines, is very well protected; submerged missile-carrying submarines are very difficult to detect and render inoperable. This is what makes them suitable for carrying out counterstrikes. The part of the triad maintained by the Aerospace Forces is based on the use of cruise missiles launched from strategic bombers.

In February 2018, Russia and the United States announced that they had implemented the reduction targets of the New START armament limiting treaty. According to the treaty, both parties are allowed 1,550 deployed strategic nuclear warheads, 700 nuclear weapon launchers (i.e. operationally ready intercontinental missile launchers or strategic bombers) and a total of 800 deployed and non-deployed launchers.⁴³

One of the main trends of Russian military policy is to keep its strategic nuclear capability as reliable as possible. In 2002, the United States withdrew from the Anti-Ballistic Missile Treaty, and it is developing a global capability for rapid missile strikes using conventional warheads. Russia has responded to this development by developing its strategic offensive weaponry. In a speech in March 2018, the president of Russia referred to the country's new technically advanced weapons programmes in a manner that attracted a lot of attention. One of the goals of these programmes is to prevent US and NATO missile defence systems from being effective⁴⁴. The new systems did not actually surprise analysts who have been monitoring developments. Although there have been delays in the development of certain systems, some of the systems are likely to be operational in the 2020s⁴⁵.

42 Russians use the term "non-strategic" instead of "tactical" nuclear weapons, because a nuclear weapon carrying enormous destructive power cannot be considered a tactical weapon.

43 Podvig 2018; New START 2011.

44 Путин 2018.

45 Kofman 2018.

3.3 Ground Forces

Of the defence branches of the Russian Armed Forces, the Ground Forces have the largest number of personnel and the most diverse weaponry. The units of the Ground Forces have almost one third of the total military personnel of the Armed Forces⁴⁶. In combat operations, Ground Forces units are suitable for destroying the opponent's troops in an attack, for capturing and holding territory, and for carrying out in-depth strikes on opponents. In defensive operations, Ground Forces units are suitable for defending against attacks as well as against naval and airborne landings. In spite of the development of weaponry and military equipment, the Ground Forces are still the most suitable troops for capturing, keeping and controlling land territory.

The units of Russian Ground Forces include combined arms armies, divisions and brigades. Combined arms armies have flexible constitutions that include 40,000–60,000 soldiers. There are usually 2–4 armies in the area of a military district, consisting of 1–2 divisions and 1–4 brigades, as well as missile and artillery brigades, signals brigades, air defence brigades and logistics brigades.⁴⁷

The combat power of the Russian Ground Forces divisions and brigades consists of regiments or battalions, as well as support units them. The organisation of Russia's Ground Forces includes considerably strong artillery and missile units that can support battles and cause casualties to the opponent irrespective of air support and weather. Another typical characteristic of Russia's military organisation is the large number of anti-aircraft missile units and their use for establishing multi-layered protection over an area. Units using unmanned aircraft have been added to the Russian Ground Forces. They are used for gaining an operational picture and for reconnaissance of targets for ranged weapon systems.⁴⁸

The combat readiness and capability of the Russian Ground Forces are limited by the fact that their personnel are mainly conscripts. In peacetime, the Ground Forces units serve as training centres where conscripts serve for one year. As conscripts enter service through drafts organised twice a year, in practice, the units never reach the full number of trained personnel their composition would require. This is one reason why Russia uses battalion tactical groups for combat operations. One peacetime brigade or regiment can provide 1–2 battalion tactical groups for operations. According to the Chief of Staff of the Russian Armed Forces, the Ground Forces and Airborne Troops have 126 combat-ready battalion tactical groups, with 900–1,100 soldiers each.⁴⁹ There is no absolute certainty about whether the comment describes the current status or the goal of next few years. The personnel situation of the Russian Ground Forces – and therefore also the possibilities for them to be fully manned – will improve as the number of *contract soldiers* increases.

46 MilBal 2018, 192. In 2018, the number of personnel in the Ground Forces was estimated at 280,000 soldiers. The Marine Infantry units and Airborne Troops also have troops whose combat role is similar to the Ground Forces.

47 FOI 2016, 28; MilKavkaz 2018.

48 FOI 2016, 28–30; MilKavkaz 2018.

49 Худолеев 2015; Sutyagin & Bronk 2017, 22–23; Герасимов 2018.

3.4 Airborne Troops

The air assault units and airborne units of the Russian Airborne Troops are intended for flanking the opponent's troops from the air and for operating in their rear, disturbing the command and control system, movement and maintenance, as well as for destroying the opponent's precision-guided weapons systems in depth, as well as for preventing the opponent's reserves from deploying for combat. Russia's Airborne Troops have traditionally been used as the General Staff's spearhead force for tasks requiring rapid deployment in military conflicts and crisis management.⁵⁰ In addition to or instead of landings, the Airborne Troops can be used to supplement and support combined arms troops from the military districts as rapid-deployment vanguard troops.

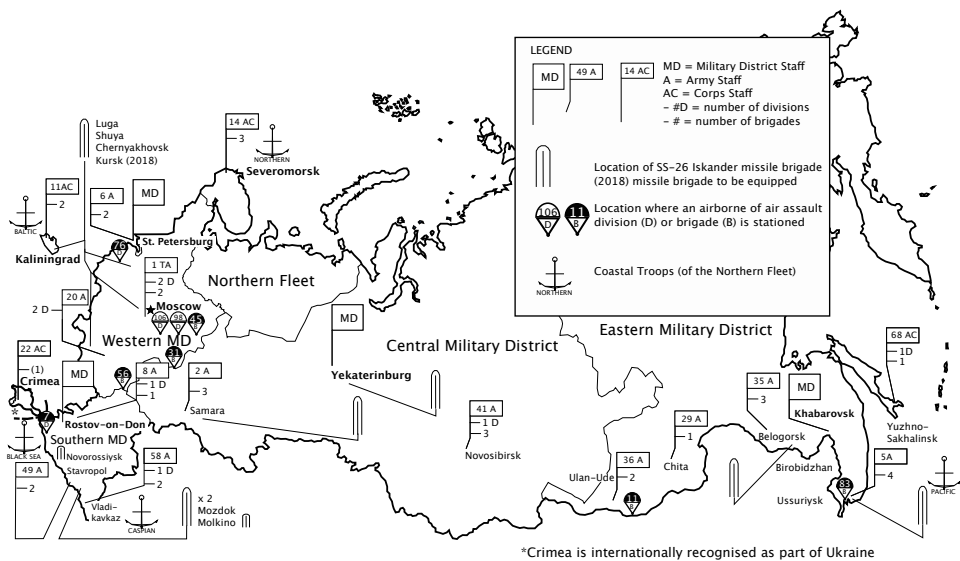


Figure 3. Deployment of Russian Ground Forces in 2018⁵¹. Image: Petteri Lahu.

Russian Airborne Troops also constitute the basis of the Collective Operational Reaction Forces (CORF) of the Collective Security Treaty Organization (CSTO, established in 1992), which have been active since 2009. The CSTO's mandate for collective defence and the compatibility achieved in exercises allow the flexible use of troops in conflicts in Russia's neighbouring areas.⁵²

50 FOI 2016, 36; VES 2007, 150–151.

51 FOI 2016; BMPD 2018; MilKavkaz 2018; MilBal 2018.

52 Norberg 2013; de Haas 2017.

3.5 Russian Aerospace Forces

In 2015, Russia's air and space defences were organised into the Aerospace Forces, which include the Air Force, Space Forces and Aerospace Defence Forces. In addition to its air defence duties, the mission of the Air Force is to launch air attacks on the opponent's targets using conventional or nuclear weapons, in addition to which it supports the battles of other defence branches. The Space Forces are responsible for monitoring space and providing advance warning of missile strikes. Launching satellites into orbit and using them are among the key duties of the Space Forces. The mission of the Aerospace Defence Forces is to defend against attacks from the air and from space, as well as to protect important civilian and military targets in Russia and to destroy the warheads of an opponent's ballistic missiles aimed at important sites in Russia.⁵³

After the Russo–Georgian War, Russia decided to organise Air Force operations to better support the operations of the other defence branches. Currently, support from the Air Force and the necessary cooperation of troops it requires are organised by having each military district command its own air army.⁵⁴ The Air Force has played an important role in the war in Syria, and in practice all personnel stationed in command positions in the Ground Forces and Air Force units have gained personal experience of cooperation.⁵⁵

Air defence in Russia differs from Western practices, being based even in normal circumstances on Air Force jet fighters and the use of air defence missiles kept at constant combat readiness. Since 2007, the air defence missile system has been systematically reformed with new materiel and upgraded equipment.⁵⁶ The range of the latest and most efficient S-400 air defence missile system currently already extends to the airspace of Russia's neighbours, which has given rise to speculation that the system could be used for attacks or for restricting any opponents' freedom of operation.⁵⁷ The aerial coverage in Central Europe of Russia's air defences will also be enhanced in the future by a Russian–Belarussian regional air defence system, agreed in a treaty in 2009 and ratified by Russia in October 2017.⁵⁸ In a military conflict, the air defence missile troops of the Aerospace Defence Forces and the Ground Forces can form a battle-hardy and layered air defence zone in the combat zone.

53 Mil.ru 2018a.

54 BMPD 2018; MilBal 2017

55 Mil.ru 2018a.

56 Mil.ru 2018a; FOI 2016; MilBal 2018; BMPD 2018.

57 Nato STO 2017.

58 Российская Газета 2017a; Российская Газета 2017b.

3.6 Navy

The purpose of the Russian Navy is to support Russia's interests, and to carry out military operations at sea and in maritime operating areas. The Navy is capable of carrying out nuclear strikes on an opponent's targets on land, as well as destroying the opponent's fleets at sea and in naval bases, and disturbing the opponent's maritime transport connections. In battles near the coast, the Navy can support land operations with landings, and can also participate in defensive operations against landings. The Navy includes surface and Submarine Forces, as well as aircraft units and coastal troops.⁵⁹

The introduction of Kalibr cruise missiles has resulted in the addition of standoff sea-to-land missile strikes to the conventional duties of the Surface Forces: protection, transporting landing units, and mine warfare.⁶⁰ The main duties of the Submarine Forces are to destroy an opponent's key targets; to seek and destroy the opponent's submarines, aircraft carriers and other surface vessels; to attack convoys; to repel landings; to spot targets for Russia's other attack weapon systems; and to destroy an opponent's coastal oil and gas production systems.⁶¹ Judging by the deployment of Russian Submarine Forces, their main areas of operation are the world's oceans and the Mediterranean Sea. The extensive range of possibilities for using the Submarine Forces emphasise their importance: submarines can challenge the supremacy of Western countries in the oceans. In spite of its relatively small size, the Russian Baltic Fleet is capable of denying maritime supremacy on the Baltic Sea both in terms of time and location, disturbing maritime traffic, preventing the use of harbours and capturing coastal sites.

Climate change means that access to arctic areas, previously difficult to navigate, is now easier. In the Russian Armed Forces, the military responsibility for the Arctic lies mainly with the Navy. It must also protect Russia's economic and security-related interests in this area.

Russia has very extensive economic interests in the Arctic. One fifth of the country's GDP is generated north of the Polar Circle, and 95% of its natural gas resources and 75% of its oil resources are in arctic or sub-arctic regions.⁶² The traditional military importance of the Arctic in the Kola Peninsula and Russian Far East is, above all, related to the counter-strike capability for nuclear weapons, as well as Russia's general ability to project military force to external areas of operation in the Atlantic or Pacific Oceans. In order to protect its military and economic interests, Russia has established new military bases on islands in the Arctic and has sought to reactivate Soviet-era airbases in the Arctic⁶³. Russia's increased military activity in the area is creating tensions, which became more pronounced when NATO took up the defence of its area following the events in 2014.

59 Mil.ru 2018a.

60 Mil.ru 2018a; Kremlin.ru 2018.

61 Mil.ru 2018a.

62 Laruelle 2014, xxi.

63 K  pyl  , Mikkola, & Martikainen 2016; Р  ссийская Газета 2016; Goble 2018.

3.7 Precision-guided weapons

The significance of precision-guided weapons had been recognised in the Soviet Union in the 1970s. It was thought that they would allow the range and accuracy of conventional weapons would develop to an extent where combat doctrines based on nuclear weapons would be insufficient to prevent military conflicts and their escalation. Although Russia's current Military Doctrine pays particular attention to nuclear weapons, Russia's Military Doctrines have since 2010 emphasised the fact that standoff precision-guided weapons carrying conventional warheads are also thought to affect the strategic balance: they are considered to pose a military threat to Russia. To avert this threat, Russia is developing a corresponding capability that it can use to form a strategic deterrent alongside nuclear weapons.⁶⁴

The best-known Russian precision-guided weapons are the short-range ballistic Iskander-M and Iskander-K cruise missiles, which will replace the earlier Tochka-U missile systems by 2020. The deployment of a capable missile system in western parts of Russia, particularly Kaliningrad, has raised concerns in the Baltic rim countries, which are now within the range of the missile system. These concerns have also been amplified by suspicions that the range of the system exceeds the 500-kilometre limit stipulated in the INF Treaty signed in 1987, which banned intermediate-range and shorter-range missile systems^{65, 66}

However, the capability of the Iskander-class weapons, superior to that of their predecessors, must be compared to that of the cruise missiles of Russia's Navy and Air Force, which have considerably longer ranges, even exceeding 5,000 kilometres. On the other hand, the weight of a single cruise missile warhead, some 500 kilograms, is considerably smaller than the weapon load carried by a single modern fighter-bomber. Russia has successfully used tactical, precision-guided bombs included in that weapon load in military operations in Syria⁶⁷.

The regional centre of gravity for Iskander missile systems and long-range air defence missile systems is in the western and north-western regions of Russia. Several reasons affect the deployment decisions. In these regions, Russia is in immediate contact with NATO, which it considers a military adversary. The country's largest population and administrative centres are located in the area, as are most of its industrial production – all targets to be protected according to the duties of the armed forces. After the collapse of the Soviet Union and the demise of the Warsaw Pact, the buffer zone in the West shrank by as much as a thousand kilometres, and the combat-ready divisions stationed there were withdrawn. Now this lost buffer is being replaced by longer-range, high-readiness weapons systems.

64 Золотарёв 2000, 476–478; Воробьев 1986, 37–40; Полегаев & Алферов 2015; Военная доктрина 2014, §12, §21, §26, §46; Шойгу 2017.

65 NPR 2018, 10.

66 McDermott & Bukvoll 2017.

67 Riekhungas 2017, 35–39.

Russia is utilising the deterrent effect of the Iskander missile system as part of its information influencing activities. In its political rhetoric, the deployment of the systems in Kaliningrad was connected to NATO's construction of missile defence system sites in Poland. Russia's Iskander missile systems are mainly grouped in the bases previously used for its predecessor, the Tochka-U missile system. This would probably have happened in Kaliningrad anyway, but NATO's actions gave Russia the opportunity to claim that they needed to match NATO's capacity.

When looking at the geographical deployment areas, we must take into account the fact that Iskander systems can be re-deployed relatively quickly to new areas of operation. This feature has also been demonstrated in manoeuvres by the Russian Armed Forces and in military operations in Syria⁶⁸. Before an Iskander system was permanently stationed in Kaliningrad in January 2018⁶⁹, deployment of the system in the area had been rehearsed at least twice. During the Zapad 2017 exercise, an Iskander system was deployed to Pechenga in the Murmansk Oblast, near the Finnish and Norwegian borders⁷⁰.

3.8 Electronic warfare

In the West, the need to develop and maintain electronic warfare (EW) capabilities decreased as their armed forces concentrated after 2000 on counter-insurgency operations in Afghanistan and Iraq, as well as in equivalent circumstances where the adversaries' limited dependence on the use of the electronic spectrum and their inability to challenge the Western armies meant that the EW development efforts were reduced to procuring jamming systems to defend its own troops against remotely triggered roadside bombs. In Finland, work to develop EW capabilities was not scaled down in the same manner, because crisis management operations outside the country's own territory were not taken as the starting point for developing its capabilities.

Even after the end of the Cold War, the Russian Armed Forces continued to consider electronic warfare as an essential element of armed combat, and continued developing their capabilities in this regard.⁷¹ In the Russian Armed Forces, EW systems have been deployed at various organisational levels, giving Russia the ability to fight for control of electronic spectrum in all operations. Russia views electronic warfare as providing significant opportunities for achieving technological and operational supremacy over its likely military adversaries.⁷²

68 Interfax.ru 2017.

69 Reuters 2018.

70 Nilsen 2018.

71 VES 2007, 601.

72 Mcdermott 2017, 9–10.

3.9 Methods of influencing through information technology

In its strategies and doctrines, Russia takes the use of information technology very seriously, in peacetime and when at war.⁷³ However, it has not announced the establishment of a cyber-troops command under the armed forces, as many other countries have done.⁷⁴ In 2017, Russia instead established information troops, which nevertheless seem to be responsible for information/psychological operations, rather than cyber-activities as they are understood in the West.⁷⁵ The skills of these personnel have been honed both in science companies established to provide special training to conscripts and in officer training.⁷⁶ It is highly likely that IT capabilities have been established in the armed forces formations.⁷⁷

Protecting its national networks is an essential part of Russia's cybersecurity strategy.⁷⁸ A well protected "fortress" denying the adversary technological supremacy is a deterrent, and also a prerequisite for initial strikes and counterstrikes.⁷⁹ Although cyber-capabilities are hardly comparable to nuclear weapons, the integrity of command and control as well as the ability of the nation to function in case of mobilisation are cornerstones of its defence solution.⁸⁰ Russia's recent systematic policy of developing an information-based society and economy has a military dimension.⁸¹ The development of domestic information technology ensures that military cyber-capabilities can be built and maintained, irrespective of whether they are to be used for offence or defence.

Russia is probably using its cyber-capabilities even in normal conditions to prevent military threats from forming and to drive a wedge between its adversaries. It is possible that Russia's cyber-capabilities could be used in the initial phases of a military conflict to disrupt an adversary's mobilisation and troop movements, to compromise its awareness of the situation, to paralyse its command abilities, and to support the actual military operations as part of remote influencing.⁸² Russia is using its cyber-capabilities to support its troops and allies in combat abroad.⁸³ It should be further noted that, for Russia, cyber-capabilities are an instrument for carrying out more extensive information operations aimed at situational awareness, ability to function, and the will to fight of a potential opponent.⁸⁴ For Russia, cyber-capabilities are part of the extensive set of strategic deterrence tools, and that is why organising or assessing them purely from the military point of view is not appropriate.

73 Стратегия национальной безопасности 2015; Доктрина информационной безопасности 2016; ТАСС 2018.

74 DoD 2018; Raud 2016; Stoltenberg 2018; Reuters 2017a.

75 Независимая газета 2017; Новая Газета 2017.

76 Jones & Kovacich 2016, 208–213; Mil.ru 2018b.

77 ICA 2017; NCCIC 2016; US CERT 2018; РИА Новости 2016; Reuters 2017b; Thomas 2015; Adamsky 2017.

78 Meduza 2017

79 Kukkola, Ristolainen, & Nikkarila 2017; Kukkola 2018a.

80 Adamsky 2017; Cooper 2016c.

81 Kukkola 2018b.

82 As no "cyber-war" has yet been fought and Russia has not published its military "cyber-doctrine", stories about Russia's alleged cyber-operations are purely speculative.

83 Russia has allegedly used its cyber-capabilities in operations in Syria, for example. Financial Times, 2016.

84 Thomas 2015; Вепринцев *ут.* 2005, 310; Бартош 2017; Дербин 2017; Никоноров & Голубчиков 2017.

3.10 Special operations troops

The Soviet art of war emphasised the use of special operations troops in regional and large-scale wars as part of strategic offensives. The plan was to use them three days before the start of the offensive as much as 200 kilometres behind enemy lines to destroy the opponent's nuclear weapons, to capture important areas and to disrupt the opponent's supplies and command lines. The typical characteristic of these special operations is still the fact that they are aimed at activities in the opponent's rear instead of on the front line.⁸⁵

In the military reforms that began in 2008, the Special Operations Forces Command (KSO) was established under the General Staff of the Russian Armed Forces. Among other things, it was tasked with evacuating the country's citizens from crisis areas and with anti-piracy operations. These special operations troops are used in anti-terrorism operations and for destroying an opponent's military and political actors. The training of special operations troops includes pinpointing targets for precision-guided weapons as well as sabotaging important or threatening infrastructure targets.⁸⁶ The idea of using special operations troops appears to be shifting from large-scale warfare towards low-intensity conflicts and even peacetime operations.

Russia's special operations troops attracted plenty of attention during the capture of Crimea.⁸⁷ In operations in Syria, Russia's special operations troops have gained valuable experience calling in close air support from the Air Force, as well as in search and rescue operations.⁸⁸ Although the number of special operations troops is quite small compared to the total number of personnel in Russia's armed forces, their deployment is of special importance in low-intensity military conflicts and in operations carried out during the initial phases of military conflicts. Their operations are closely associated with the deployment of other troops and the capabilities of the armed forces, as well as with a new phenomenon on the battlefield: private security and military organisations.

85 Шеповаленко 2018.

86 Milkavkaz 2018.

87 Nikolsky 2014, 124, 129–130.

88 Барабанов *ут.* 2016, 113–114; Гаврилов 2016.

3.11 Private security and military organisations

Officially, private security and military organisations are prohibited by law in Russia. However, Russian legislation leaves the situation open to many interpretations. A legislative change passed in December 2016 allows soldiers with a contract not exceeding one year to participate in military operations in international peacekeeping and security duties, as well as for anti-terrorism operations outside Russian territory.⁸⁹

The Russian government started making preparations for legislation governing private security and military organisations at the beginning of the 2010s. In 2012, during his term as Prime Minister, Vladimir Putin gave his personal support to the plan to establish official private military organisations in Russia. According to him, they could act in lieu of the Russian state outside its territory, particularly when protecting property and when training foreign soldiers.⁹⁰ Operations by private military organisations could cover the state's direct involvement in potential foreign operations requiring military assistance.

In this context, "protecting property" means critical targets and infrastructure outside Russian territory, such as the gas network. Therefore, major companies such as Gazprom and Transneft, in particular, were thought to be potential customers who might hire mercenaries.⁹¹ Legally commercialising and privatising military operations would create opportunities for companies and private individuals to defend their interests with weapons.

The activities of companies registered as providers of security services are difficult to determine and regulate by legislation. The use of private military organisations is defended by emphasising that these companies must comply with statutory requirements and operate as businesses and under normal statutory terms and conditions.⁹² It is obvious that private security and military organisations operate by assignment of the Russian government e.g. in anti-terrorism operations and when supporting the separatists in Eastern Ukraine. For example, the Russian private military organisation MAR says that it has participated in organising humanitarian transportation in Eastern Ukraine. According to the company's management, they can also provide military services, both to the Russian authorities and the separatist government in Donetsk.⁹³

Outsourcing security and military services benefits the Russian state both economically and socially. In addition to the assignments described above, private security and military organisations can also be used in pursuing Russia's patriotic goals and for strengthening the patriotic spirit outside the country's borders.⁹⁴ Among other things, these private security and military organisations use social media for recruitment –

89 О воинской обязанности и военной службе 2017.

90 РИА Новости 2012; Шеповаленко 2018.

91 Коммерсантъ 2018a.

92 Carmola 2010, 12.

93 военное.рф 2015; MAP 2014. Companies' recruitment material

94 Надтока 2018, 212.

the same channels through which information about casualties of fighters in Syria and Ukraine have become public knowledge.

In the future, Russian private security and military organisations will increasingly switch to intelligence and warfare using data networks. As agile operators, they will be able to respond to new customer needs in this profitable new business area, such as monitoring the internal communication channels of terrorist networks. Russian private military organisations have already partly responded to the growing needs for data network intelligence, for example by offering intelligence services and corporate espionage.⁹⁵ The use of private military organisations requires background support from the governmental organisations to “legitimise” and support their operations.

3.12 Contract soldiers – an essential element of the personnel strategy of the Russian Armed Forces

In 1996, Russia set the goal of having its army mainly consist of contract soldiers by 2000. In 2008, the duration of conscription was shortened to one year. Currently, individuals with high- or medium-level education who are drafted can choose between one year’s service as conscripts or two years’ service as contract soldiers. They are also being attracted with shorter contracts, and individuals signing a three-year extension contract are offered housing benefits as incentives. The Ministry of Defence has sought to fill more demanding positions, such as squad leaders and submarine crews, as well as naval infantry and airborne units, entirely with contract soldiers. In 2015, there were approximately 300,000 contract soldiers.⁹⁶

Contract service has been developed with gradual amendments to legislation, allowing the use of short-term service contracts for anti-terrorism operations, in the navy, and in other temporary positions of a few months’ duration.⁹⁷ In 2017, the number of contract soldiers exceeded the number of conscripts – or at least the target was to fill 405,000 positions with contract soldiers.⁹⁸ According to the latest target, the number of contract soldiers will increase to 475,000 by 2025.⁹⁹ Increasing the number of contract soldiers improves the readiness and professionalism of the Russian Armed Forces. The possibility to use voluntary contract soldiers instead of conscripts lowers the threshold for using military force, particularly in low-intensity military conflicts outside the country’s borders.

95 RSB Group. RSB marketing material.

96 TACC 2013; TACC 2015.

97 О воинской обязанности и военной службе 2017.

98 Прилуцкий & Горемыкин 2017, 14–16.

99 www.mil.ru 2018.

4. Conclusions

The aim of Russia's military policy is to prevent military conflicts, to control them and to protect the important interests of the state. Russia's military security is based on strategic nuclear weapons supplemented with modern standoff precision-guided weapons. During the next ten years, the military force used by Russia in conventional warfare will be based on the materiel of its Ground Forces units, which is partly obsolete, but remains operational thanks to modernisation efforts. The Russian Armed Forces can support their combat operations with the more accurate situational picture provided by the reconnaissance, surveillance, and command and control systems, as well as with the precision-guided weapons operated by the Air Force and Navy.

In addition to their external duties, the Armed Forces and the state military organisation also support Russia's internal stability. As a governmental actor and employer, the Russian Armed Forces are also one of the few instruments of regional policy in the country. The Russian people's appreciation of and the significance of the Armed Forces as a state institution promoting the unity of the nation have strengthened in the last ten years.

From the Finnish perspective, the capabilities of the Russian Armed Forces and the willingness of its government to use military force to safeguard its own interests constitute a permanent factor that must be taken into account in Finland's security assessments and when dimensioning its defence.

The possible use of military force by the Russian Armed Forces in Europe, particularly in conflicts in the Baltics and Arctic, would weaken Finland's security, irrespective of whether Finland actually became a party to the military conflict; the obligations imposed on member states of the EU would connect Finland to the conflict politically. A military conflict in our neighbouring areas would weaken Finnish society overall: its security, economic health and social wellbeing. War waged in the Finnish territory would significantly damage our society and change our way of life for a long time.

Military defence issues are an integral part of relations between Finland and Russia, including during peacetime. Russia has used – and will in the future increasingly use – military force to communicate its own views, its dissatisfaction and the importance of its interests. From the perspective of Finland's defence, the challenges are the increased readiness of the Russian Armed Forces to rapidly initiate military operations from a situation of peace, the ability of the Russian government to wage a prolonged military conflict, as well as the use of the military for government-led struggles for dominance in the information sphere and for indirect active measures. Finland must continue to develop its concept of comprehensive security in order to prevent and mitigate these effects. In the future, it will be necessary to assess, systematically and without prejudice, the requirements the developing operating environment imposes on defence solutions and defence resources.

RESOURCES OF RUSSIA’S DEFENCE INDUSTRY

Participants: Cristina Juola, Aleksi Päiväläinen, Karoliina Rajala, Laura Solanko and Ville Tuppurainen

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1. Introduction

In an article titled “Questions of new warfare” that he wrote in the 1930s, Marshal Mikhail Tukhachevsky (the father of the Soviet theory of deep operations) stated: “The most powerful country in the coming war will be the one that has the largest civil aviation and aircraft industries.” The prediction, which was only published in 1962¹⁰⁰, proved to be correct: the industrial capacity of the USA was a significant prerequisite for the Allied victory in the Second World War. While meeting some students in autumn 2017, President Putin made reference to artificial intelligence, saying that “whoever takes the lead in this area will in the future rule the whole world¹⁰¹”.

Putin’s statement underlines the strategic importance of technological developments. Even with a less dramatic view of the issue, the outlook for the development of weapon systems, as well as the growth and size of the defence budget are clear indications of Russia’s goals and potential. However, assessments of the importance of the sector are often conflicting. According to some assessments, all funding is allocated to weaponry, and factory production lines are churning out effective new weapon systems. This view also holds that Russian-made weapon systems are substantially less expensive than their Western equivalents. From another perspective, Russia’s economic and industrial base is considered to be so eroded that the country does not have the prerequisites to equip its armed forces with effective weapon systems that meet the needs of modern warfare. This view is often enhanced by claiming that bucket made of galvanised steel are the most advanced industrial product in our neighbouring country.

This section takes a statistical approach to the potential of Russia’s economy, the content and actual results of the State Armament Programmes, as well as the current status and future of its defence industry. This will produce a more accurate view of the potential of, and main challenges for, the Russian defence industry. The estimates of future funding are shown in nominal roubles in this section, because it is not appropriate to tie future funding plans to inherently volatile exchange rates. The historical annual average exchange rates of the rouble are shown in Table 3.

100 Тухачевский 1964, 189.

101 TACC 2017.

2. Russia's economic growth and military expenditure

In 2010–2017, the Russian economy grew by an average of 1.8% a year, and it is widely believed that a similar growth rate will prevail for the next several years. Naturally, estimates of potential growth over the longer term vary considerably. Assuming there are no major structural reforms and the global economic situation does not especially favour Russia, there is good reason to expect a long-term growth rate of approximately 1.5% for the next few decades. The economic sanctions imposed by Western countries will have a negative, but very small, impact on Russia's long-term economic growth.

Russia is no longer a rapidly growing emerging economy. Nevertheless, a growth rate of 1.5% is very good from the European perspective. If it were to continue, it would mean that Russia's share of the global economy will shrink during the next few decades, although it will remain the same or increase a little in relation to EU countries. Crude oil, oil products and natural gas will continue to supply a significant proportion of the income of the Russian Federation. Russia's foreign trade balance and economic fluctuations will also remain highly dependent on the prices of these commodities. That means that the Russian economy will continue to be vulnerable to fluctuations in global market prices of raw materials.

During 2010–2017, the amount budgeted for military spending increased both nominally, in real terms, as well as in relation to the overall size of economy. Figure 1 shows the military expenditure reported by the Ministry of Finance for 2010–2017 and the forecasts for 2018–2020. Russia's military spending in 2016 was exceptional, because the amount reserved for repaying bank credit (equivalent to around 1% of GDP) was transferred to military expenditure. Without that, military spending would have decreased from its 2015 level. In recent years, just under half of defence spending has been allocated to implementing the State Armament Programme.

It is realistic to assume that as the economy grows, the amount of money spent on the military will also increase. However, it is likely that the government wants to keep the proportion of public expenditure in the total economy at approximately the current level. It would be possible to increase the share of the budget apportioned to military spending in the future, but it would require significant cuts in other areas. All in all, it is probably realistic to assume that military spending will increase at the same rate as GDP, on average (i.e. no more than 1–2% a year in real terms).

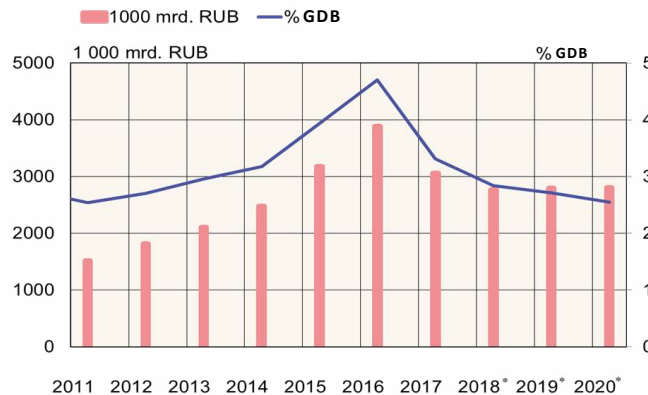


Figure 1. Defence expenditure in the Russian federal budget in 2011–2020. Image: BOFIT.¹⁰²

As a whole, military spending exceeds the figures from the Ministry of Finance that are shown in Figure 1. According to the military expenditure database maintained by the Stockholm International Peace Research Institute (SIPRI) and calculations from the Gaidar Institute for Economic Policy (IEP) in Russia, military spending is actually around one quarter to one third higher. The information differs, because SIPRI and IEP add items from other expenditure categories to military spending. These include social security, internal security and the domestic economy. The share of such expenditure included in other budget lines of the total military spending has increased.¹⁰³

Furthermore, loans and advance payments granted to companies in the sector can be counted as military expenditures. Defence industry companies were granted federal guarantees for bank loans, particularly in 2011–2014. These loans supported production growth in the defence industry and the implementation of the State Armament Programme. The volume of lending stopped growing, but in 2015–2017 the defence industry was also supported by advance payments from the Ministry of Defence. There is no focus on the rise in the number of advance payments, with the government now seeking to limit their use.¹⁰⁴ Similar arrangements may also be used in the future.

According to the Ministry of Finance, military spending accounted for just over 3% of GDP, while SIPRI put the figure at 4.3% and IEP put it at 4.6%. Russia's ratio of military spending to GDP is among the ten highest in the world.¹⁰⁵

102 Russian Ministry of Finance, Rosstat. Budget Law 2018–2020.

103 BOFIT Viikkokatsaus 2018/18.

104 Зацепин & Цымбал 2018.

105 SIPRI Military Expenditure Database.

	2010	2011	2012	2013	2014	2015	2016	2017
Ministry of Finance data	2.6	2.5	2.7	2.9	3.1	3.8	4.4	3.1
SIPRI estimate	3.6	3.4	3.7	3.8	4.1	4.9	5.4	4.2
IEP (Zatsepin)* estimate	3.8	3.8	4.2	4.6	5.0	5.0	5.3	4.5
IEP (Zatsepin)** estimate, incl. interest payments	3.8	3.6	3.9	4.1	4.4	5.2	6.0	4.7

Table 1. Russia's defence spending as percentage of GDP according to different estimates during 2010–2017.¹⁰⁶

In the future, monitoring the structure of total expenditure is likely to become more difficult, because the provisions of the Budget Code mean that an increasing number of budget categories are labelled secret. Furthermore, it has been suggested that many details of military procurement should be classified for fear of Western sanctions.

	2010	2011	2012	2013	2014	2015	2016	2017
Saudi Arabia	8.6	7.2	7.7	9.0	10.7	13.5	9.9	10.3
Israel	6.2	6.2	6.0	5.9	6.0	5.7	4.7	4.7
Russia	3.8	3.5	3.8	3.9	4.1	4.9	5.5	4.3
USA	4.7	4.6	4.2	3.8	3.5	3.3	3.2	3.1
Finland	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4
Germany	1.4	1.3	1.3	1.2	1.2	1.2	1.2	1.2

Table 2. Defence spending as percentage of gross domestic product in certain countries.¹⁰⁷

In addition to the budgetary expenditure shown in the statistics, one should bear in mind that the execution of Russia's mobilisation plans creates additional burdens for companies in the private and public sectors. The objective of the plans is to secure the functions of the state in all circumstances, and the responsibility for executing these plans lies largely with the Presidential Administration, the Military-Industrial Commission of Russia and the Federal Agency for State Reserves. Basically, all companies must participate in executing the plans when requested to do so. During 2005–2015, the direct costs of mobilisation preparations have amounted to an estimated 1% of total federal expenditure. The costs incurred in the preparations have proven to be significant, leading the federal government to attempt to reduce the number of companies involved and to make operations more efficient.¹⁰⁸

¹⁰⁶ SIPRI Military Expenditure Database; Зацепин & Цымбал 2018.

¹⁰⁷ SIPRI Military Expenditure Database.

¹⁰⁸ Cooper 2016a, 45.

3. State Armament Programmes

The development of the Russian Armed Forces in terms of materiel is carried out under the State Armament Programme. The Armament Programmes are produced for ten years at a time and are usually updated in an interim review after five years. The actual procurement is carried out as part of the state budget through war materiel orders. The Ministry of Defence is responsible for its execution. The State Armament Programme currently in progress is GPV-2020. It started in 2011 and will end in 2020.

3.1 State Armament Programme to 2020

The main goal of the programme, now in its final years, is to increase the proportion of modern weaponry to 70% of all weaponry supplied to the armed forces by 2020. At the beginning of this decade, the figure was only about 10% for conventional weapons, and also a modest 20% for nuclear weapons¹⁰⁹.

	2011	2012	2013	2014	2015	2016	2017	2018	2019 (e)	2020 (e)	2011– 2020
(RUB, billion)	573	677	893	1,450	1,800	1,600	1,400	1,450	1,550	1,550	12,943
Rouble-to-euro exchange rate, annual average	40.9	39.9	42.4	51.0	68.0	74.0	66.0				
Share of budgeted military expenditure	38%	37%	42%	58%	57%	41%	46%	52%	55%	55%	

Table 3. Distribution of procurement appropriations in the 2020 armament programme (GPV-2020) for 2011–2020. The table does not include government-guaranteed loans.¹¹⁰

In recent years, just under half of military spending has been allocated to implementing the State Armament Programme. As well as the procurement of new materiel, the expenditure under the Armament Programme includes R&D appropriations for the industry, as well as maintenance and modernisation costs. It can be roughly estimated that, on average, some 60–70% of appropriations are used for procuring new materiel, while expenditure on R&D and on maintenance and modernisation have both been in the order of 15–20%. Originally, approximately RUB 20.7 trillion was reserved for implementing the Armament Programme, but probably only some RUB 13 trillion of that amount will be spent

¹⁰⁹ Федоров 2012; Центр АСТ 2015.

¹¹⁰ Фролов 2016; Фролов 2017а; Соопер 2016b; Зацепин & Цымбал 2018; Институт экономики роста им. Столыпина П.А. 2017.

in the end. In addition to actual procurement appropriations, approximately RUB 3 trillion was reserved for developing the defence industry.¹¹¹

Table 4 shows that as a whole, the proportion of modern equipment has increased considerably, to approximately 60%. However, there are considerable differences between defence branches in this respect, and the Ground Forces and the Navy in particular are lagging behind the others. The programme has been widely considered unsuccessful, particularly for the Navy, as it was originally given the largest share of funding. Implementation of the plans have been hampered by the insufficient capacity of the industry and the crisis in Ukraine, as the sanctions following the latter have limited the availability of certain critical components and systems from Ukraine and Western Europe.¹¹²

Branch of defence	GPV-2020 original funding, RUB 1 trillion	Share of modern armament at the end of 2017 (%)	Some key items of procurement in 2011–2016
Ground Forces	2.6	45	Approx. 1,900 combat tanks (e.g. T-72B3), 1,020 artillery systems, eight Iskander-M missile systems, three S-300V4 air defence missile battalions
Navy	4.5-5	53	Three strategic Borei class submarines and 50–60 Bulava ICBMs, one nuclear-powered Yasen class submarine, six non-nuclear submarines (Varshayanka class), 16 surface vessels
Aerospace Defence	3.4-4	73 (Aerospace Defence Forces 68, Space Forces 81)	33 S-400 air defence missile battalions Six Voronezh early warning radars 50 space satellites
Air force	4-5	72	Approx. 455 combat planes (e.g. Su-30SM, Su-34, Su-35S) Approx. 685 helicopters
Strategic nuclear weapon forces	1.0	79	87 Yars ICBMs Development of new solid-fuel (Rubezh) and liquid-fuel (Sarmat) ICBMs
Others	2.7	60 79	Modern automatic command and control systems Electronic warfare systems
Total	18.2- 20.3	59.5	

Table 4. Actual spending in State Armament Programme to 2020 (GPV-2020) by defence branch.¹¹³

111 Военно-промышленная комиссия РФ 2017.

112 Шеповаленко 2018; Коммерсантъ 2018b; Зацепин & Цымбал 2018.

113 Зацепин & Цымбал 2018; Фролов 2016; Фролов 2017b; FOI 2016; Герасимов 2017. The Air Force is still shown as a separate item in the table for the sake of clarity, although in 2015 it was combined into the Aerospace Defence Forces. The proportion of conventional weaponry is based on information provided by the Ministry of Defence.

The industry seems to have succeeded best at basic overhauls and modernisation of weapons manufactured or developed during the Soviet era. Among others, T-72B3 battle tanks and several Sukhoi jet fighter models have been put into serial production, as has the S-400 air defence system. The latter, the flagship product of Almaz-Antei, has been successfully delivered both in Russia and for export.

In contrast, the production of completely new weapon systems has been considerably behind the planned schedule. Basically, the resources required to develop them have been underestimated, while the ability of the industry to move from prototypes to serial production has been overestimated. For example, the fifth-generation Su-57 jet fighter was expected to go into serial production some five years after the first flight of the prototype, although in the West, such development work can easily take more than ten years. Similarly, the Armata tank platform for the Ground Forces was supposed to take five years from the drawing board to full-scale serial production, a goal that must be considered totally unrealistic. So far, a few dozen trial versions have been delivered to the troops, and serial production is not expected to begin in this decade¹¹⁴.

In summary, it can be stated that even if the target of 70% modern equipment is not achieved, the State Armament Programme has produced rather good results, given the condition of the country's military when it started. Although it has not been able to develop many top-modern weapons, let alone function as planned, the Russian Armed Forces will in 2020 be considerably better equipped than they were a decade earlier. The situation provides a good starting point for implementing the next armament programme.

114 Центр АСТ 2015; Фролов 2017b.

3.2 State Armament Programme to 2027

The normal planning cycle would have meant that the armament programme running to 2025 should have started in 2016. Due to the uncertain economic outlook, the start of the programme was postponed until 2018. Like its predecessor, the new programme (GPV-2027) will have a planned total funding of approximately RUB 19 trillion.

However, unlike the previous programme, the money will be divided evenly between the different branches of defence. That would make the Ground Forces the biggest winner, while the Navy would experience the biggest cut in funding. The focal points of armament procurement include strategic nuclear weapons, precision-guided weapons, conventional weapons as well as hypersonic weapons (i.e. those that travel at several times the speed of sound). The development and procurement of reconnaissance, command and control, and target acquisition systems support the migration to network-oriented warfare. Alongside conventional technology, artificial intelligence, robots and space-based systems are being developed.¹¹⁵ The general trend is migration from quantity to quality; in other words, the aim is to procure smaller numbers of more modern, higher-quality systems, which are also more expensive¹¹⁶. In addition to armament procurement, RUB 1 trillion has been allocated to the development of army bases and the logistics system.¹¹⁷

The key areas for development in the strategic nuclear weapons triad include at least the new RS-28 Sarmat ICBM and the hypersonic Avangard missile. In the naval component of the triad, the aim is to finish equipping the Borei-class strategic nuclear submarines. The Ground Forces expect to have at their disposal new serial production models of the Armata battle tanks, as well as armoured vehicles of the Kurganetz and Bumerang types. Deliveries of Sukhoi jet fighters (Su-30SM, Su-35) and Su-34 fighter-bombers as well as Mig-35 fighters to the Air Force will continue.¹¹⁸ Another important goal is the start of serial production of Su-57 fighters. However, there are uncertainty factors associated with this, among others regarding high costs and engine development work¹¹⁹. It is also questionable whether all current and future manned and unmanned aircraft types can be developed and maintained. It is possible that the range of materiel types will have to be limited during the 2020s, and development efforts directed more clearly to a single aircraft type.

For air defence, the procurement of the S-400 systems is likely to continue, while its successor, the S-500 (Prometheus) is to move into serial production. However, conflicting and partly pessimistic estimates have been expressed regarding the latter, particularly about the progress of development work and the possibilities for serial production¹²⁰. In the Navy, the trend appears to be a move away from large vessels to smaller surface ves-

115 TACC 2018.

116 Connolly & Boulègue 2018.

117 Коммерсантъ 2017b; Коммерсантъ 2017с.

118 Коммерсантъ 2017с.

119 Центр АСТ 2015, Connolly & Boulègue 2018.

120 Connolly & Boulègue 2018; РИА Новости 2017b; Коммерсантъ 2017с.

sels equipped with precision-guided weapons such as Kalibr-NK cruise missiles, and the Coastal Troops will be supplied with new missile systems¹²¹.

In addition to the above procurement of armament, significant changes in the defence industry include the introduction of lifespan contracts and changes in pricing systems for materiel orders¹²². “Lifespan contracts” are contracts that cover all phases of the system, from development to decommissioning¹²³. The aim of developing the pricing system is to have a more flexible and less stringent regulatory system where companies can benefit more from the cost savings they have achieved¹²⁴.

In spring 2018, President Putin attracted attention by presenting new “wonder weapons” in his annual address to Parliament¹²⁵. The general public may have been left with the impression that a significant change of direction or a technical quantum leap had suddenly taken place in the development of military hardware. However, developing such complex weapons systems takes years – even decades. Many of the weapon systems presented have already been in development for a long time. Some of them may come into service in the 2020s. None of the weapons shown off by Putin will necessarily progress beyond the prototype stage, for example due to technical or financial problems.

121 Коммерсантъ 2017с.

122 Коммерсантъ 2017а.

123 Päiväläinen 2016.

124 Коммерсантъ 2017а.

125 Finnish Broadcasting Company, 2018.

4. Defence industry

4.1 Overview and financial status of the companies

The Russian defence-industrial complex (OPK)¹²⁶ consists of six key areas: aviation and space, shipbuilding, artillery and small arms, war materiel, radio electronics and nuclear weapons. The corporate structure of the sector changed at the beginning of the 2000s when large holding companies owned by the state (“state corporations”) were created.¹²⁷ The most important state corporations established during the first decade of the millennium were the air defence company Almaz-Antei, the aircraft builder OAK, the shipbuilder OSK, and Rostec. Furthermore, space-related activities have been concentrated with Roskosmos and the development of nuclear weapons and energy technology with Rosatom.¹²⁸

The sector has approximately 2 million employees. Officially, there are 1,355 companies in the register of defence sector companies, 75% of which fall under the administrative sector of the Ministry of Industry. Together, 65 major companies are responsible for almost 85% of total production in the sector. Of these companies, 26 are part of Rostec and 13 part of Roskosmos, 13 belong to other Ministry of Industry clusters, and another 13 belong to other administrative sectors.¹²⁹ The defence industry sector is estimated to account for approximately 5–6% of total industrial production in Russia. Since most of the sector’s production is manufacturing (e.g. machine-building, electrical and electronics, and metals), it can be estimated to account for approximately 10% of total manufacturing in Russia.

The sector was in a difficult situation in many ways at the beginning of the 2010s. Among other things, the companies were burdened by debt, obsolete production machinery and poor productivity. Most of the production machinery dated from the 1980s or 1990s, and some estimates suggested that less than 20% of the equipment was under ten years old, while old equipment was being replaced at a rate of only around 1% per year¹³⁰.

Driven by the State Armament Programme, the output of the sector grew very rapidly during 2010–2016: by almost 12% a year. In 2017, the growth rate decreased to approximately 3.4%, which was still clearly higher than in the rest of the manufacturing sector on average. Although the companies are in better shape now, the sector is still burdened by low productivity and poor profitability compared to Western competitors¹³¹.

126 Oboronno-promyshlennyi kompleks (OPK).

127 Isakova 2007, 79.

128 Frolov 2017, 10.

129 МинПромТорг 2017.

130 Федоров 2012.

131 РИА Новости 2017a; Klochov & Kristskaya 2017.

Analysis of the financial statements of some major companies supports this view. For example the return on equity of the aircraft manufacturer OAK was, on average, -20% in 2013–2016. OAK continues to be very heavily in debt, indicated by its very weak equity ratio (at most 20%) and high debt-to-revenue ratio (approximately two). The shipbuilder OSK is slightly more stable, as it regularly made a profit in 2014–2017, although its return on capital employed (ROCE) did not rise above 7%. However, the company managed to reduce its debt-to-revenue ratio (from approximately 180% to 88%).¹³²

The situation is not quite as grim in all companies: The gigantic Rostec group reported returns of approximately 7–8% of revenue. The more successful companies include the helicopter manufacturer Vertoljoty Rossii, part of the Rostec group, which had an ROCE of up to 18% in 2013–2016. At the same time, its relative indebtedness was hovering around the 90% mark, which means that even this cluster of companies is rather heavily burdened by debt¹³³. During the last few years, Kalashnikov (the company renowned for its assault rifles) has also considerably improved its financial performance¹³⁴.

The decision taken by the government in late 2016 to write off approximately RUB 800 billion in loans granted to companies in the defence industry companies has eased some of the debt burden, but it will not solve the productivity and profitability problems.

Before the beginning of the State Armament Programme, approximately one third of the total output of the defence sector was intended for civilian use. As the volume of military orders has increased, the proportion of civilian production has decreased, being less than 20% since 2014. The government has been strongly steering the arms industry to expand its production to the civilian sector. The government has repeatedly warned these companies that the volume of military procurement will not keep on growing for ever, which means that new profitable businesses have to be developed to replace it. In December 2016, President Putin suggested that civilian production should cover 30% of total production by 2025 and as much as 50% in 2030¹³⁵.

However, there are very different views of how this target should be achieved. Those in favour of state-controlled industrial policy consider major state-owned corporations and government power to be essential for future growth. In contrast, supporters of more open markets would like to increase competition and open the sector up by attracting new investors through privatisation. The future challenges will particularly include attempts to expand the sector's R&D to civilian products while the state wants to maintain control of the innovation activities¹³⁶.

132 Объединённая Авиастроительная Корпорация (ОАК) 2018; Объединённая Судостроительная Корпорация (ОСК) 2018.

133 Вертолёты России 2018.

134 Калашников концерн 2016.

135 Ведомости 2018.

136 Frolov 2017, 18.

4.2 Innovations and other challenges

The development of companies in the defence sector is governed by many statutes and development programmes, only some of which are public. The aim of the development programme approved in May 2016 is to speed up the development of the entire sector.¹³⁷ In line with the general guidelines for Russian industrial policy, the defence sector development programme also emphasises improved productivity, developing innovative products, and increasing the proportion of domestically produced components. It had been hoped that the defence industry would drive the modernisation of the entire economy, but so far the chances of that have been slim.¹³⁸ For weapon exports, the goal is to improve the competitiveness of Russian weaponry in the international market for next-generation high-tech weapon systems.

Increased emphasis on import substitution – which has gained momentum during the past decade – also applies to the defence industry. In 2012, the government initiated a programme for improving the efficiency and competitiveness of Russian industry. The target set for the defence industry is to develop production so that its end products, and all their components, are produced entirely in Russia. Implementation of the programme was expedited when sanctions were imposed in 2014, among other things by establishing a commission on import substitution, which aims to develop domestic production sectors that have previously relied on imports. At the heart of the implementation will be the R&D by the defence industry, which should drive the work of developing innovations and skilled workers for society more broadly. Methods of achieving this goal include increased integration between the military and civilian sectors, better-skilled personnel, better quality control and compliance with international standards, as well as changes to the administrative systems of companies in the defence sector.¹³⁹

One of the objectives of the 2027 State Armament Programme is to promote innovation activities. Above all, it is a question of developing applied research, reforming the interfaces between the civilian and defence sectors, and supporting the innovation economy. The aim is to create a new generation of managers in the public and private sectors who have a holistic understanding of the importance of utilising technology and science in all areas of society.

Due to its closed and government-led nature, the defence industry faces major challenges in its R&D work. One important problem is that the education system does not meet the current needs of the defence industry. That leaves companies with difficulties in recruiting people that have the necessary practical skills and a sufficient theoretical basis. Graduates with bachelor's degrees cannot cope with their duties and those with master's degrees are too focused on research. These problems exist in the space, aircraft and marine industry sectors.¹⁴⁰ There have been attempts to improve the situation by bringing vocational schools and universities closer to companies in the sector.¹⁴¹

137 Правительство России 2016.

138 Bukkvol, Malmlöf, & Makienko 2017, 232–249.

139 Правительство России 2014.

140 Articles in *Voenna-Promyshlennyy Kurier* related to educational needs are particularly common.

141 Красная звезда 2017.

The problems include the high average age of employees and the unfavourable age distribution, as well as polarisation of the demographic age structure of senior experts. Although the average age of employees decreased from 49 to 45 during 2012–2017, the workers with the highest level of education are also the oldest. The defence industry has problems in attracting the best specialists from the private sector, where salaries and earning potential are significantly better. The process of recruiting skilled workers has also been hampered by a lack of housing, which has reduced social mobility and affected recruitment from universities, for example. There is now a grant programme aimed at making it easier for talented researchers to move from the universities to the defence industry sector.¹⁴²

Corruption constitutes a serious structural problem. Corruption in the armed forces and defence industry is usually associated with fraud, maintenance of real estate belonging to the Ministry of Defence, as well as to the misuse of these properties and construction contracts for them.¹⁴³ The secrecy, lack of competition and undisclosed conflicts of interest associated with the sector tend to promote corruption, in addition to which poor control also contributes to these problems.¹⁴⁴ The number of corruption-related convictions doubled during 2012–2016. However, it is impossible to say how much of the increase is due increased corruption and how much to more effective anti-corruption measures.¹⁴⁵

The fact that the defence industry is government-led tends to curb innovation. The sector has traditionally had a strong symbiotic relationship with the state budget. Partly as a legacy of the Soviet era, many companies have an operating culture that is more like a government department than a business. Many companies also lack marketing and financial skills, which are vital in an open civilian market¹⁴⁶. In order to rectify the situation, new skill and education requirements are planned for the general managers of major state-owned companies. In the future, they will be required to have at least three years' experience of management and a suitable master's degree.¹⁴⁷

The subcontracting policy followed in the sector, dominated by major state-owned companies, has been accused of being too introverted, and SMEs in particular have complained that they have difficulties getting orders, or even being allowed to participate in competitive tendering processes. Furthermore, the question remains unanswered of how to make it possible to utilise innovations created in the defence industry in the economy more broadly, including in terms of contract law – currently the results of such work are unequivocally the property of the state.¹⁴⁸ The problem is critical, because this is exactly where a critical bottleneck is created in moving promising innovations to the private sector.

142 Красная звезда 2017.

143 Beliakova & Perlo-Freeman 2018, 7.

144 Transparency International – Russia Report 2017.

145 Beliakova & Perlo-Freeman 2018, 6.

146 Военно-промышленная комиссия РФ 2017.

147 Коммерсантъ 2018с.

148 Военно-промышленная комиссия РФ 2017; Шеповаленко 2018.

4.3 Russian arms exports

Exports are an important source of income for many successful defence industry companies in Russia. Companies engaged in international trade compete on international markets, which means that their production must also meet international standards. To this end, the government has encouraged defence industry companies to expand their customer base to international markets and civilian products, and to seek international partners.¹⁴⁹

Arms are mainly exported by subsidiaries of state-owned companies. Foreign trade deals related to the defence industry are struck through Rosoboronexport, a state-owned institution that was established in 2000 and transferred in 2011 to Rostec, the state-owned parent company for defence and civilian sector companies. Furthermore, the Federal Service for Military-Technical Cooperation (FSVTS) is responsible for controlling military-technical cooperation.¹⁵⁰

Russia is one of the world's biggest exporters of arms. According to statistics from SIPRI, Russia's 20% share makes it the second-biggest arms exporter after the US. According to Russian statistics, the value of arms exports in 2012–2016 was USD 15 billion a year.¹⁵¹ However, arms exports represent less than 5% of all exports of goods. Approximately half of exports from the Russian defence industry are made up of military aviation products. Army materiel makes up approximately 30%, and air defence materiel approximately 20%, while naval warfare materiel is considerably smaller, accounting for approximately 6–7%.¹⁵²

Arms are traded with more than 50 countries, and defence industry cooperation takes place with more than 100 countries. The biggest markets for Russian arms are in Asia. In 2017, 58% of arms exports were destined to Asia, 39% to the Middle East and North Africa, and 3% to Europe. The biggest trading partners in the Middle East and North Africa have traditionally been Iran and Egypt, while in the 2010s, they were Syria, Iraq and Egypt. The biggest trading partners in Asia are China, India and Vietnam. In the past, more than half of arms exports were destined for China, but in the 2010s, exports to China have considerably decreased, currently accounting for just over 10% of total exports. In turn, India's share of exports has increased: In 2014–2016, exports to India made up 25–30% of Russia's arms exports.¹⁵³

Russia's defence industry cooperation with China and India has been particularly close. In the 1990s, Russia was still exporting old Soviet-era materiel to both countries. The rapid development of China's own defence industry and its aim of becoming self-sufficient have, in the past few decades, been evidenced by a decrease in arms exports to China, but Russia nevertheless remains China's biggest trading partner in the defence sector. China has be-

149 Афонцев 2016.

150 CAST 2016.

151 Заседание комиссии BTC 2018.

152 CAST 2016.

153 SIPRI Arms Transfers Database 2018.

come more demanding, and in the 2010s, China was the first country to buy Russia's latest weapon systems. India is still relying on imported technology and technology transfers for modernising the materiel of its armed forces and for developing its own defence industry, but the country has also raised its standards, and competition in the Indian market has intensified. India has diversified its arms imports e.g. with US and French weapon systems, and Russia's share of total arms imports has decreased.¹⁵⁴

As the competition has intensified, the companies have diversified their exports and extended their cooperation to new markets in the Middle East, South Asia and Latin America, as well as expanding the scale of cooperation to new high-tech areas, including ones outside the defence industry.¹⁵⁵ In addition to arms exports, Russia also has numerous co-operation projects with China and India in the space, microelectronics, engine and civil aviation industries. With India, Russia also has pure defence industry sector cooperation projects for developing and producing new military materiel.¹⁵⁶

Russia's arms imports have been very limited, but Russia does import dual-use technology and components. Russia's dependence on foreign components increased gradually up to the 2010s, as Russia also intensified its cooperation with Western partners. Foreign components have been required both for Russian weapon systems and – due to demands from its trading partners – for weapon systems destined for export.¹⁵⁷

The deteriorating availability of foreign dual-use technology has been a challenge, because some imported components are not produced in Russia at all, or their production has limitations. Russia has traditionally imported military aviation industry products from Ukraine. Until 2014, Russia was importing helicopter engines, ship engine turbines and electronic components from Ukraine. Replacing these with mainly domestic production is a slow process. The degree of success in replacing other imports also varies. One of the problems with the production of components required by the defence industry is the continuing poor domestic demand, low labour productivity, and the inefficiency of innovation activities. The result is often poor quality output.¹⁵⁸

154 Juola 2018.

155 Фролов 2017b; Волобуев *ym.* 2015.

156 Juola 2018.

157 Фролов 2017b.

158 Фролов 2017b.

5. Conclusions

In spite of the difficulties, the 2010s can as a whole be considered a success for the arms industry. Particularly given the modest situation it was in at the start of the decade, the general state of the industry is now clearly better. During 2010–2017, many companies in the sector rose from their previous slumps, but the limited competition, low productivity and many old structural problems are still burdening most of the actors in the sector.

The State Armament Programme to 2020 has developed the material capabilities of the Russian Armed Forces. This is evidenced by the ability to engage in local military conflicts in Ukraine and Syria, where it has also been possible to test new war materiel in combat situations. Not all of the items in the Armament Programme are new; some are examples of modernisation prolonging the lifespan of existing equipment. Modernisation projects have restored the production base of the arms industry and established the prerequisites for implementing the next State Armament Programme. Companies in the defence sector have been supported during the current armament programme with various financing and loan arrangements. The sanctions imposed by Western countries have increased financing costs and made importing many components more difficult.

According to the new State Armament Programme to 2027, funding for the sector is likely to remain at the current level. At the same time, the demand for improved quality of production, more domestic components and increased civilian production will increase. While many companies have the technical competences required for the civilian products market, their operating cultures, the monopolistic structures prevalent in the sector and the lack of business management skills are hindering them from entering those markets. Innovations created in the Russian defence industry have seldom led to any significant civilian products. Many new federal training and innovation programmes are seeking to improve this situation, but the change is very slow at best. Not all companies have the prerequisites for responding to the increasingly strict requirements, but no significant company in the sector will be allowed to fail.

The basic picture arrived at using the current information and assumptions is that a lack of budgetary funding is not the biggest obstacle for the development of the Russian defence industry. Future estimates must take into account that, when required, Russian defence spending can be significantly increased by a combination of budgetary measures. Increasing spending by 20%, for example, would currently correspond to just over 0.5% of GDP. Tax revenues can be increased, the budget balance can be altered, and other expenditures can be cut. Of course, this does not mean that the defence industry would have unlimited funds at its disposal. As was seen in 2017, the budgetary spending on defence and internal security in Russia can also be limited.

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RUSSIA'S INTERNAL DEVELOPMENT

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1. Introduction

This section describes the internal outlook in Russia, which is important for the country's future and may affect Finland.

To the outside observer, Russia may look like a monolithic structure ruled by one individual, where peace is broken by occasional demonstrations about pension reforms or opposition to corruption. However, we must bear in mind that Russia is the world's largest country in terms of land area, consisting of more than 80 formally autonomous regions that are, in many ways, very diverse.

Russia's future will be affected by several parallel developments, which may also produce conflicting results. Here, we analyse Russia's internal security system, the country's social stability and civil society, as well as its demographic development and economy. The objective was to select from the Russian reality the issues that are significant from the Finnish perspective. The cross-cutting themes of the section include authoritarian rule, corruption and lack of trust in society, which characterise Russian society overall, hampering and complicating many reform programmes. Furthermore, Russia's internal development is characterised by slow economic growth and a lack of systemic reform in the economy. There is also a difficult demographic situation, which immigration compensates to a degree, while also increasing the shadow economy and leading to the creation of a "shadow society".

2. Internal security system

2.1 Decision-making in Russia

Russia's social and political system is based on the power of the president. The competence of the government is limited, and it is more of a technical and practical operator than a political one. The authoritarian nature of the system is based on the fact that the government does not answer politically to Federal Assembly, but it is also not a group of professionals who all pursue the same goal using the same methods.¹ This has the result that the position of the president and the unofficial network created around him by the political elite² are strong. The president can also appoint and dismiss the entire government and its individual members.

The system is a legacy of both the Soviet model, i.e. the division of duties between the Central Committee and Council of Ministers, which itself was based on the earlier division of duties between the monarch and royal court, and the ministries. The constitutional crisis of 1993 is also a background factor; following the crisis, the constitution extended the power of the president in relation to other political actors. From the point of authoritarian governance, the system has the advantage that the president can change the key actors who head the government, either as a result of disloyalty or because the president wants to shift the focal points of his policy. The political responsibility for failure in implementation lies with the government, not the president. At the same time, the government has to perform a balancing act between effective leadership and political loyalty. The prime minister is responsible for coordinating this complex network of relations. He relies on several deputy prime ministers, who head state organisations. The creation of operating policy often involves a complex series of deals and ad-hoc agreements between different state organisations.³

The Presidential Administration is a powerful but opaque actor in the decision-making system. It is mentioned in Article 83 of the Constitution of the Russian Federation⁴, but its mandate is not defined. The Presidential Administration started as a relatively small unit in the office of the Central Committee of the Communist Party of the Soviet Union. Nowadays, it has 2,000–3,000 employees, and it is seen to have a central role in steering the different levels of administration. Among other things, its director coordinates anti-corruption measures, and the Executive Office monitors “people-to-people” activities and demonstrations. Furthermore, the largest subdivision of the Presidential Administration, the Domestic Policy

1 Gel'man & Starodubtsev 2016.

2 Ledeneva 2013.

3 Gel'man & Starodubtsev 2016.

4 Конституция Российской Федерации 2019.

Directorate⁵, produces, among other things, opinion polls for analysing public sentiment. Together with Sergey Kiriyenko, the First Deputy Chief of Staff of the Presidential Administration, the Domestic Policy Directorate is very influential in controlling the elite, political parties, regional administration and civil society. This control is, in practice, somewhat opaque. Elections are the most important area of activity, because the directorate monitors and administers the arrangements for and implementation of elections and ensures that sufficient administrative resources are available to achieve the desired outcome. The directorate also consults political parties and analyses the situation in the regions, particularly where a risk of conflict or separatism exists. The directorate also plays a role in the United Russia party: it maintains close contacts with the party, recruits its officials from the party ranks and also participates in the election of the party's top decision-makers.

The Security Council, working under the president, has proven to be an important organisation in terms of coordinating operational policies – a sort of core team within the government. Its membership includes the “power ministries”,⁶ as well as the chairs of the upper and lower houses of the Federal Assembly. The importance of the Security Council's activities is an indication of the extent of security thinking and its increasing importance in the political culture of Russia. This is, in part, a question of increased global emphasis on security and its utilisation as the basis for various political and administrative solutions. However, the increasing importance of the Security Council can also be seen as an indication of the continuance of the social and public policy legacy of the Soviet and Imperial eras. The Security Council coordinates the security policy development work on the basis of the Federal Law on Security. In addition, the national security strategy (the latest version of which was produced in 2015) is another key document in this work. It defines the national interests and the focal areas of government's activities. These two documents are also supported by the 2014 Law on Strategic Planning. The planning includes the president's annual public reviews and addresses, socio-economic development strategy, the security strategy, regional and sector-specific plans for regional development, as well as various forecasts, for example regarding scientific and technical development, state programmes and the defence programme. Therefore, the Law on Strategic Planning can be called the technical manual for producing the policy, whereas the national security strategy is a roadmap for developing the state and society.⁷ Although the power authorities and ministries have an important role in Russia, none of them dominate decision-making. The president seeks to balance the struggle for power and competition for resources between different ministries and authorities.

5 President of Russia 2019.

6 The term “power authorities” usually refers to a group of 12 actors. Of these, five are ministries (the Ministry of Foreign Affairs; Ministry of Justice; Ministry of Internal Affairs; Ministry of Defence; and Ministry of Emergency Situations), while the others include the Federal Security Service (FSB), Foreign Intelligence Service (SVR), Main Directorate of the General Staff of the Armed Forces of the Russian Federation (GRU; Russia's military intelligence organ), as well as parts of the Presidential Administration. Ponarseurasia.org/sites/default/files/policy-memos-pdf/pm_0282.pdf

7 Heusala 2018.

The large geographical distances in Russia make balanced regional development difficult. Methods of promoting economic and social development developed in the regions have, over time, been superseded by regional policy led from Moscow⁸. For example, special economic zones and special development zones have not progressed as planned, despite the resources allocated to them. The reasons for these failures have included bureaucratic benefits delaying reforms and a lack of political will. Coordination between different administrative units and regional organisations is also difficult.⁹

The authoritarian political culture, corruption and governance that resists reform are intertwined, and they create a self-generating model of governance that, among other things, lacks any incentives for economic reform or modernising the existing institutions. The core problems in the current system relate to steering by strong central government, as well as to the decentralised administrative model that implementing the reforms requires. In Russia, issues associated with coordinating governance, socio-economic development in the regions and fiscal relations between different levels of the administration constitute a continuing challenge for the current political system.

2.2 Development of the legal system and legislation

The fact that the Russian system is so strongly led by the president is also reflected in the legal system. The president appoints all judges to the higher courts, and representatives of the Presidential Administration participate in the boards that nominate judges in the regions. Other authorities, such as the FSB, may actually influence the independence of courts of law.

The Ministry of Justice has a major administrative role, because it is, among other things, responsible for registering legal persons, in addition to which it now has the new task of creating a shared population register. This duty of registration, in particular, makes the role of the Ministry of Justice essential in overseeing activities in civil society and as the authority responsible for enforcing legislation limiting those activities. In order to carry out this duty, the Ministry of Justice maintains lists of “foreign agents” and “undesirable organisations”. Among other things, the ministry investigates the legality of activities pursued by NGOs and religious communities, and it maintains a list of extremist materials and organisations that have been shut down on the basis of extremist activities. In addition, the Ministry of Justice can abolish, by a court order, organisations it has registered, as was the case with Jehovah’s Witnesses in 2017, when the Ministry of Justice declared it an extremist organisation.

8 Starodubtsev 2017.

9 Gel’man & Starodubtsev 2016.

Since the dissolution of Soviet Union, there have been many attempts to reform Russia's judicial system. Two decades of reforms to the legal system have produced a confusing mixture of legal cultures. The particular characteristics of the Soviet-era legal system are still evident, particularly in the application of the Criminal Code. The Russian criminal law process differs from its Finnish equivalent e.g. in that the authorities have extensive rights to carry out preliminary investigations, and in that it is rare in the Russian legal system to decide not to bring charges.¹⁰ On one hand, criminal law is still applied in the Soviet, prosecutor-driven manner, in practice starting from the assumption that the defendant is guilty. This means that in recent years, only one case in 500 has resulted in acquittal. On the other hand, Russian judges have also sought to use their discretion for the benefit of defendants within Russian administrative culture. This is evidenced by, among other things, suspended sentences in cases where there is reason to suspect that the investigation was carried out in a careless or unjust manner.¹¹ Furthermore, in cases of civil law where a case is brought by a citizen or private company against a decision or action taken by central government, the courts often find in favour of the plaintiff, in line with Article 53 of the Constitution.

Russian citizens are actively turning to the judicial system, and many cases are processed in courts of arbitration, for example. The aim is to ease the workload for courts caused by civil law cases by utilising a reconciliation system with magistrates. The early 2000s, during President Putin's first term of office, was a particularly active period for reforms in Russian legislation. Among other things, a new type of criminal law and criminal procedure were created, as well as a new system of civil law¹². These changes were also aimed at modernising legislation for better compliance with Russia's commitments under international agreements. At a formal level, Russian legislation today includes the right to a fair trial and the presumption of innocence – both elements of the rule of law. The number of prison sentences handed out has been reducing since 2010; by November 2018, approximately 600,000 inmates were serving sentences in Russian prisons¹³, when the number had been about one million at the start of the century. In spite of the structural reforms, public opinion in Russia is still in favour of long and severe sentences.

The reforms carried out in the legal system in recent years to improve its predictability have produced conflicting results from the point of view of the independence of the judicial system. In the past few years, there has been some change in legal thinking towards emphasising sovereignty and the right of self-determination in the application of international law and enforcement of sentences. Since 2013, the Supreme Court of Russia has taken the view that e.g. the jurisdiction of the European Court of Human Rights only supplements Russia's national legislation and the treaties it has signed.¹⁴

10 Heusala & Koistinen 2018.

11 Paneyakh 2016.

12 Kahn 2008.

13 Федеральная служба исполнения наказаний 2019.

14 Antonov 2014.

Corruption is one of the problems in Russia's legal system. Political influence over the decisions of courts is commonplace in trials that are economically or politically significant. Ordinary citizens face the challenges of more mundane problems associated with legal interpretation and the prosecutor-driven legal process. Lack of training and a lot of red tape cause backlogs in the work of courts. Before the 2018 presidential election, Putin raised the need to slowly reforming the legal system. The reform plan was presented by Alexei Kudrin, the current chairman of the Accounts Chamber of the Russian Federation. The plan to reform the legal system was produced by the Center for Strategic Research, led by Kudrin, as part of Russia's strategic development programme for 2018–2024. According to the plan, courts of justice need to be made more independent from the security authorities and government administration should be improved and the training provided to court judges made more consistent¹⁵. However, representatives of the legal system have expressed doubts about the reform, because Kudrin did not allocate sufficient funds or demonstrate an understanding of the legal system reforms during his term as Minister of Finance.

The "May Decree" issued at the beginning of Vladimir Putin's fourth term as president,¹⁶ made no mention of reforming the legal system.¹⁷ Although reforms to the legal system are not specifically mentioned in the decree, the government may seek to implement some parts of the plan produced by Kudrin's think tank during the next six years. The transformation of the legal system is unfinished, and there is plenty of scope for making its operations more predictable. For example, in the field of criminal law, this is a question of the roles of and relations between the police, prosecution and judges, as well as of their professional competence and ethics, which all reflect the values and operating methods of society.

2.3 Administration of internal security

Decision-making in issues relating to Russia's internal security is led by the president together with the Security Council, which has a coordinating role. The internal security organisation includes the FSB, the Ministry of Internal Affairs (MVD), the Ministry of Emergency Situations, the Prosecutor General's Office, the Investigative Committee and the National Guard.

The responsibilities of the MVD include issues regarding law enforcement authorities and migration. The main duties of the FSB are counterespionage and intelligence, anti-terrorism operations, fighting particularly dangerous crime, anti-corruption work and border control. Russia's Border Service has been part of the FSB since 2003. The Investigative Committee

15 Ведомости 2018a; Бочаров *ум.* 2018; Право.ru 2018.

16 In May 2018, at the beginning of his fourth term as president, Putin issued a new "May Decree", which included several requirements for modernising the country. The first May Decrees were issued by Putin at the beginning of his third term in office in 2012. The requirements are ambitious, and most of the decrees from 2012 are as yet unimplemented.

17 Президент России 2018a.

is responsible for investigating the most serious crimes. In addition, the Investigative Committee is responsible for controlling the police (including corruption and misconduct in that organisation), as well as for investigations concerning central and regional authorities. The Prosecutor General's office ensures that the Constitution is observed, as well as overseeing the enforcement of laws and legitimacy of actions by the power ministries.

The Main Directorate for Migration Affairs was established in the Ministry of Internal Affairs in 2016, based on the previous Federal Migration Service. It concentrates on enhancing enforcement of migration policy. The strategic focal points of the directorate include migrant labour and ensuring the security aspects. Refugee and asylum issues do not have any priority in immigration. This is evidenced by the fact that applying for asylum is difficult in practice. No changes are on the horizon for immigration policy. Russia does not employ integration measures in the same way as countries like Finland do.

The Ministry of Emergency Situations is responsible for civilian protection and fire safety, as well as for taking action in emergency and disaster situations. The ministry has been under pressure to reform following the disastrous fire at a shopping centre in Kemerovo in spring 2018 and the resulting news stories about negligence.

The development and objectives of Russia's internal security administration can be assessed at a general level on the basis of the president's annual keynote speeches, as well as on the basis of strategies and policy documents. In recent years, the trends have been the change of generation in organisations and the need to fill key positions in central and regional government with trusted government officials who have a security authority background. Examples of the change of generation include the retirement of the directors of the Federal Drug Control Service and the Federal Migration Service when these activities were moved to the Ministry of Internal Affairs in 2016.

There is no precise information available about the numbers of personnel in the power ministries, and these figures are often exaggerated in the media. However, appropriations for law enforcement authorities have increased, and budget proposals submitted by security authorities have been approved in the State Duma almost without amendment. Budget cuts due to the economic recession in Russia have been moderate in the internal security sector¹⁸.

The administrative sector of internal security is very strong and has ample resources, but it is not a homogeneous actor. The duties of different authorities partly overlap; anti-terrorism activities, for example, are duties of almost all the authorities. The Presidential Administration tries to control competition between authorities for skilled staff and resources. The key competitive factors include good relations with the Kremlin, and the division and extent of duties laid down in legislation related to intelligence and preliminary investigations. In the post-Soviet era, the structure and status of the internal security organisations in the Russian

18 The share of the federal budget allocated to the security sector has increased slightly (it was 11% in 2010–2011, 14–15% in 2012–2014, and 12% in 2015–2018), although in total expenditures of government sector budgets, the proportion has decreased due to a considerable increase in social security expenses (10% in 2010–2011, over 8% in 2012–2014, and over 6% in 2016–2018).

administration have changed several times. For example, the Federal Customs Service has at times been an independent service, while at other times it has operated under the authority of another organisation. The authority of the Federal Customs Service in criminal investigations has also been changed. The changes in internal security and political cycles have also had an impact on the development of cross-border cooperation. Among other things, long-term development of cooperation between Russia and EU member states (such as Finland) on preventing crime would require more flexible crime prevention instruments. In practice, this would require changes to existing national legislation if the aim were to have joint investigative teams, for example. However, the path to achieving these ambitious goals is made more difficult by the varying levels of trust between institutions, as well as by differences in national legislation and the issue of long-term commitment from political leaders.¹⁹ Reliable, smooth exchange of information is key.

Pressure to implement the principles of the rule of law in the activities of the security authorities do not stem from parliamentary control or the pressure of civil society; rather, they primarily come from the authorities' own internal control. Such self-regulation alone is insufficient to achieve change. Pressure from civil society or investigative journalists, for example, would also be required to accelerate the process of changing the legal culture in Russia.

2.4 Governance problems in Russia: corruption and networks of interest groups

Corruption is characteristic of the Russian culture of governance. The authoritarian political system, which is centered heavily on the president and has weak safeguards for promoting the interests of ordinary people, leads to a situation where the state promotes the financial interests of the elite.

Several instruments, ranging from national strategy to numerous committees and authorities, have been established to combat corruption. Soon after his victory in the presidential election in spring 2018, President Putin submitted an initiative for new anti-corruption legislation, aimed at ensuring the right of the state to more easily obtain details of accounts and holdings from banks. Previously, only the police and judiciary had that right. The law also includes an incentive: organisations or individuals who actively assist in anti-corruption activities by confessing bribery or exposing crime will receive more lenient punishment.²⁰

However, Russia is still a country where corruption is rooted deep in business life and politics. In particular, large public projects are, in practice, impossible to implement without "facilitation payments", which constitute major reputation and business risks for par-

19 Heusala & Koistinen 2018.

20 Pasmir.ru 2018.

ticipating foreign companies. In addition to monetary input, corruption is also evidenced by various political appointments and business contracts, for example. Besides corruption, the intertwining of organised crime, business life and administration is also a major problem. It is difficult to pass any reforms in a system that also has nepotism as an inherent characteristic, as the relatives and family members of influential persons are appointed to political and administrative positions or as heads of state enterprises.

Corruption offences that reach the courts are mainly related to bribery. In addition to actual bribery and the facilitation payments referred to above, the problems include misuse of influence, lobbying and the “revolving door phenomenon”, where civil servants, politicians and managers of major companies exchange positions and favours. Russia’s position in annual statistics published by Transparency International has remained unchanged. In the 2017 Corruption Perceptions Index, Russia scored 29 points of 100, a result that is slightly below global average and indicates that corruption is fairly common in the public sector.²¹ The score has remained the same since 2012. Russia’s anti-corruption efforts do not effectively tackle the structures that enable and maintain corruption; they focus instead on individual cases.²²

2.5 Terrorism and extremist movements

The Russian authorities are paying a lot of attention to anti-terrorism measures, and these activities have been allocated relatively good resources. Anti-terrorism operations and the phenomenon of “foreign fighters” (where people join a rebellion or civil war in a state other than their own) have considerably weakened e.g. the operational capabilities of radical Islamists in the North Caucasus region. It is estimated that over 2,000 fighters left the area in 2011–2016 for Syria and Iraq, to join the ranks of the terrorist organisation Islamic State and other warring factions. Anti-terrorism activities were enhanced for the FIFA World Cup and the presidential elections in 2018. Individuals or small groups inspired by Islamic State’s propaganda constitute the biggest threat. Jihadism is still very rare among migrant workers, but people in a poor financial situation or a difficult situation in life are thought to be most susceptible to radical propaganda and extremist thinking.²³

Foreign fighters originating from Russia are believed to be moving to new conflict areas or to other European countries, as Islamic State has lost its territories in Syria and Iraq. Those returning to Russia do not necessarily continue their terrorist activities, and very few returning fighters have been connected to terrorist attacks.²⁴ As safe havens, fighters returning from conflict areas can use politically unstable and corrupt countries, such

21 Transparency International 2017.

22 Interview with Anton Pominov, executive director of Transparency International in Russia, 14 May 2018.

23 See e.g. McCauley & Moskalenko 2008.

24 CSIS 2017; SIPRI 2016.

as Ukraine or mountainous Georgia, where people from the Northern Caucasus fare well thanks to their command of Russian language and the support of Chechen minorities in these countries.²⁵

In 2015, Islamic State established a branch in Russia, ISIL-CP, but it has not been very active and is not believed to have many members. The Islamist terrorist organisation *Imarat Kavkaz*, which was established after the separatist movement faded away and operated in the North Caucasus is currently in such depressed state that it is not actually expected to carry out any strikes. It has been replaced by ISIL-CP.²⁶ However, any terrorist organisation would need a lot of logistical support personnel for its operations, because the Russian authorities exercise strict control and they have many different methods at their disposal for disrupting and preventing terrorist activities and communications. Armed skirmishes take place occasionally between suspected terrorists and the authorities in the North Caucasus region, but the authorities have made it very difficult for radical Islamists to carry out any extensive operations. Anti-terrorism operations take place almost monthly in different parts of Russia.²⁷ The Russian authorities have a strong mandate for anti-terrorist operations, as well as an extensive set of tools for surveillance of telephone and data networks. Russia has strict legislation regarding terrorism²⁸, and anti-terrorist operations often end with the suspects being killed.²⁹

Extreme right-wing, racist and nationalist activities rapidly became common after the collapse of the Soviet Union in the 1990s, and they started having alarming characteristics in the early 2000s. At the end of the 2000s, the state started intervening more actively in the activities of these extremist nationalist movements, and racist street violence has also decreased from its peak year of 2008. That year can be considered a turning point in the attitude of the Kremlin towards radical opposition organisations. Since then, both the far-right Movement Against Illegal Immigration (DПNI) and the far-left National Bolshevik Party, which advocated revolution, have been declared prohibited organisations.

Although extreme nationalists have been unable to organise themselves into a significant movement (in part due to internal disputes), loose networks can be mobilised through the internet and social media in a relatively short time. Prime examples of this are the massive riots that took place before the occupation of Crimea in Manezhnaya Square in Moscow in 2010 and in Biryulyovo Square near Moscow in 2013. In particular, the riots in Manezhnaya Square raised concerns in the Kremlin and made the authorities pay more attention to the activities of nationalists. On the other hand, nationalist – and even ultra-nationalist – movements have had political patrons. It has even been suggested that political leaders have taken advantage of them to promote their own political goals.³⁰ The

25 BBC 2016; RadioFreeEurope 2015.

26 Кавказский Узел 2016a; Кавказский Узел 2016b.

27 Кавказский Узел 2018a; Кавказский Узел 2018b.

28 CSIS 2017.

29 Национальный антитеррористический комитет 2019.

30 Arnold & Markowitz 2018; Varga, 2008.

far right is nowadays, particularly after the war in Ukraine started, rather fragmented and has not managed to organise any major demonstrations of power in the last few years. In spite of that, it still operates as a network that can potentially be mobilised. New far-right groups are constantly being created to replace those that dissolve.³¹ The capture of Crimea created a rift in the nationalist movement, when some members approved and some condemned the president's foreign policy decision.

Nationalist groups in Russia ³²

1. The nationalist anti-Putin opposition, consisting of a diverse range of actors, from anti-Western activists seeking to reinstate the Russian Empire, to pro-Western politicians, such as Alexei Navalny.
2. Players like Vladimir Zhirinovskiy, who take a different line from the Kremlin, but who mainly represent the "internal opposition to the system".
3. Governmental nationalists, many of whom work in the Presidential Administration.

Although the Russian authorities have succeeded in weakening the ultra-nationalist movements by enforcing the law and thanks to the rift caused by the occupation of Crimea, the threat they pose has not been completely eliminated. Thousands of ultra-nationalists are fighting as volunteers in Ukraine. Upon their return from the front, they may engage in political activity and cause social unrest.³³

Russia's fight against terrorism has been effective, but excessive punishment is the other side of the coin. For example, mere membership in the pan-Islamist organization Hizb ut-Tahrir, which is permitted in most countries in Europe, may be enough in Russia to be convicted of terrorist activities. Human rights organisations and activists³⁴ have claimed that a number of security authorities have fabricated evidence about planned terrorist activities in order to give them reason to imprison undesirable individuals, or simply in order to demonstrate their effectiveness. In Russia, the operating culture of law enforcement organisations is, in practice, guided by metrics based on quotas, which may lead to arrests on questionable grounds. Various state organisations are also competing with each other for resources. In this struggle for resources, highly visible operations preventing terrorist attacks are an advantage. Arbitrary and severe actions by the authorities may also create an atmosphere in society from which terrorist activities may gain further motivation.

31 Альперович 2018.

32 Laruelle 2017.

33 Sinelschikova 2015.

34 IFHR 2009; Arnold 2016.

3. Social stability and civil society

3.1 Values and attitudes

During President Vladimir Putin's third term in office, the references to heroic aspects of Russian history have increased, and victory in the Second World War has gained increasing symbolic importance.³⁵ Russia's status as a great power is emphasised, and 72% of Russians also view their country as a great power. Admittedly, the citizens' interpretation of the main characteristics of what constitutes a great power may differ from what the country's leadership wants to present: the majority of Russians consider having a high standard of wellbeing among the country's citizens to be the most important characteristic, rather than e.g. military might.³⁶ Russia's leadership is also attempting to maintain the concept of an external enemy threatening Russia, against which Russians citizens must present a united front.

Patriotism, shored up by the state, can be seen as a tool of governance with which it tries to take possession of the longing for a "stand-up citizen" and good order in society, as well as the idea of cherishing the memory of the Second World War, which are still deeply rooted in society. However, as a universally applicable and abstract ideal, patriotism is also open to interpretations that are opposed to Putin and the government.

Patriotism has increasingly become an "empty signifier", a concept open to interpretation that does not have a single fixed meaning and does not solve the problems citizens face in their everyday lives. The relationship between patriotism and ethnic nationalism is also problematic. The idea promoted by the state – multinationalism as a particular historical characteristic of the Russian people and state – does not necessarily resonate well with the people. A survey carried out by Levada-Center in July 2018 reported that xenophobic attitudes have increased among the Russian people.³⁷

In practice, the state has sought to enhance the feeling of togetherness, e.g. with patriotic education programmes, the first of which was produced in 2001 and the most recent in December 2015. The latest patriotic education programme reflects the new threats included in Russia's policy and pays attention to the increased tensions in world politics and to the problems in the economy. It is difficult to assess the effectiveness of patriotic education programmes, because their goals are obscure and there are no unambiguous metrics for assessing their effects.³⁸

In the past few years, Russia's leadership has tried to link the national sentiment to the traditional "Russian" value basis, which has been increasingly positioned as opposition to

35 Malinova 2017.

36 Левада-центр 2018a, s. 35.

37 Левада-центр 2018b.

38 Sanina 2017, s. 45; 51–55; 61.

Western values.³⁹ The idea of Russia's special status with a long history is also a key element here. The Kremlin has also been influenced by the "Eurasian mindset", according to which the state of Russia has a key role in fostering Eurasian civilisation.⁴⁰ Russia's leadership is attempting to strengthen national sentiment by emphasising the greatness of the Russian state and the heroic history shared by its multinational people, as well as the traditional, conservative values as the common denominator of the people. This manner of speech and its application in practice, e.g. in legislation, excludes certain groups of people from the idea of national unity, and these people are then pictured as victims of external influence or even as being in opposition to Russia's national interests. Of the minorities in the country, members of "non-traditional" religions and of sexual and gender minorities who face prejudice and pressure. Excluding minorities from what it means to be Russian may also affect regions neighbouring Russia when excluded people seek protection outside Russia's borders.

Traditional values have been strengthened with the backing of the Russian Orthodox Church.⁴¹ The Russian Orthodox Church enjoys the relatively stable respect of the people, which makes its support for state policies valuable. During the last decade, the church has gained more political power, and it has e.g. influenced changes to legislation decriminalising domestic violence and the criminalisation of insulting the feelings of religious believers. Promoting conservative values as the key element of national feeling also limits public debate and affects the way in which certain problems in society can be approached. For example, discussion regarding the HIV epidemic in Russia is sometimes reduced to demands for sexual abstinence.

However, the idea of Russia's special status and moral superiority compared to the West may be difficult to sell to the people, among whom feelings of inequality and increased poverty have intensified during the past few years. In spite of the rapid economic growth and improved living standards during the early 2000s, as many as half of Russians feel that their lives have become worse since the switch to a market economy. Of all the former socialist states, Russian citizens have the most negative attitudes towards the shift to a market economy. In addition, a clear majority of Russians feel that the gap between the rich and poor has grown in the last few years.⁴²

In the 1990s, the steep increase in poverty, inequality and mortality following the dissolution of the Soviet Union probably explains at least some of the conflict discussed above between perceived decreased welfare and improved living standards, measured by economic statistics. During the worst years of the 1990s, the low birth rate and low life expectancy led to Russia's population falling by 700,000 per year – the largest ever population collapse in any industrialised country in peacetime.⁴³ Because of the alarming demographic situation,

39 Østbø 2017.

40 Bassin ym. 2015.

41 See e.g. Agadjanian 2017.

42 Denisova et al 2010; EBRD 2016a.

43 Kainu et al 2017, p. 291.

during President Putin's second term in office, the government declared that social policy is one of its top priorities.⁴⁴ In reality, the state has in recent years taken a back seat in welfare politics, encouraging NGOs and companies to assume more responsibility for providing welfare services.⁴⁵ A distinct exception to that is the family policy, which encourages people to have more children, that the state is hoping will mitigate the demographic crisis. All in all, the Russian welfare system can be characterised as a mixture of neoliberal and state-led welfare policies, where neither political philosophy has a clear upper hand.⁴⁶

3.2 Trust in Russian society

In European comparison, Russia can be categorised as a society of low trust: trust in other people, and particularly in institutions, is low (Figure 1). The Russian people are quicker to mistrust other people and social institutions than to trust them. On the other hand, there is little general trust in many other former Soviet and socialist countries in Europe, so as a society with a low level of trust, Russia is not in any way exceptional in Eastern Europe.⁴⁷

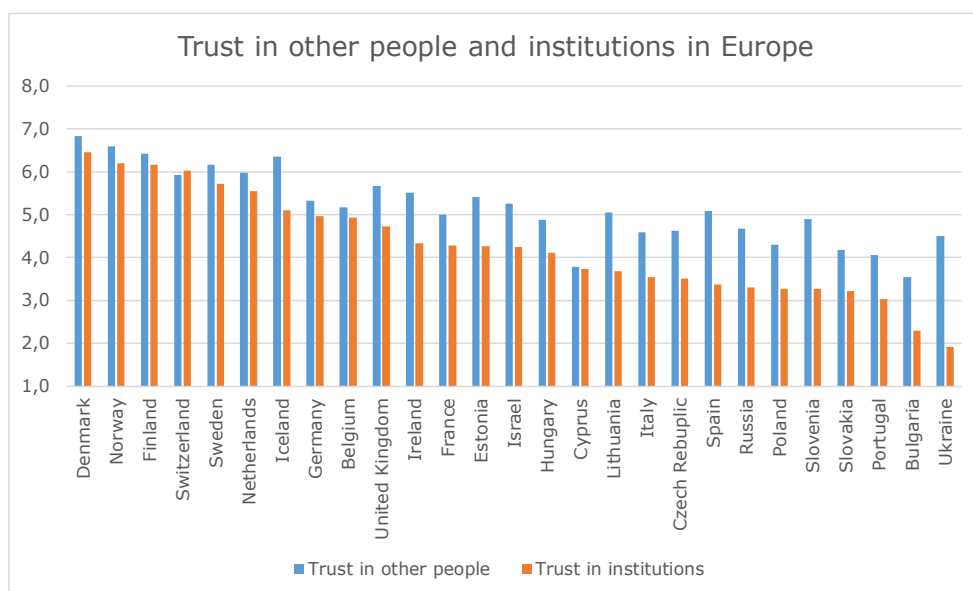


Figure 1. Trust in Europe. Figure by Eemil Mitikka.⁴⁸

44 Cook 2011, Kulmala 2013.

45 Kulmala 2016.

46 Kainu et al 2017.

47 Kornai et al 2004.

48 ESS Round 6 (2012). Trust on a scale of 0–10 where 0 = “I do not trust at all” and 10 = “I trust completely”.

Of social institutions, Russian people expressed (in 2018) the highest degree of trust in the army and the president, as well as the security service and other intelligence services. In turn, political parties, major Russian companies and the State Duma were the least trusted organisations. In the dynamics of trust of the Russian people, it is noteworthy that there is clearly more trust in abstract and symbolic institutions that are quite remote from the everyday lives of ordinary Russians than in institutions that are closer to their everyday lives. In particular, trust in the army has markedly increased over the past few years, which may be an indication of people's satisfaction with Russia's latest military operations in Ukraine and Syria. The apparent conflict between the high level of trust in President Putin and the very low level of trust in political parties is probably an indication of the president's success in distancing himself from party politics. On the other hand, this high esteem reflects the weakness of the party institution and political institutions, albeit that the recent pension reforms have also eroded the trust in the president (Figure 2).

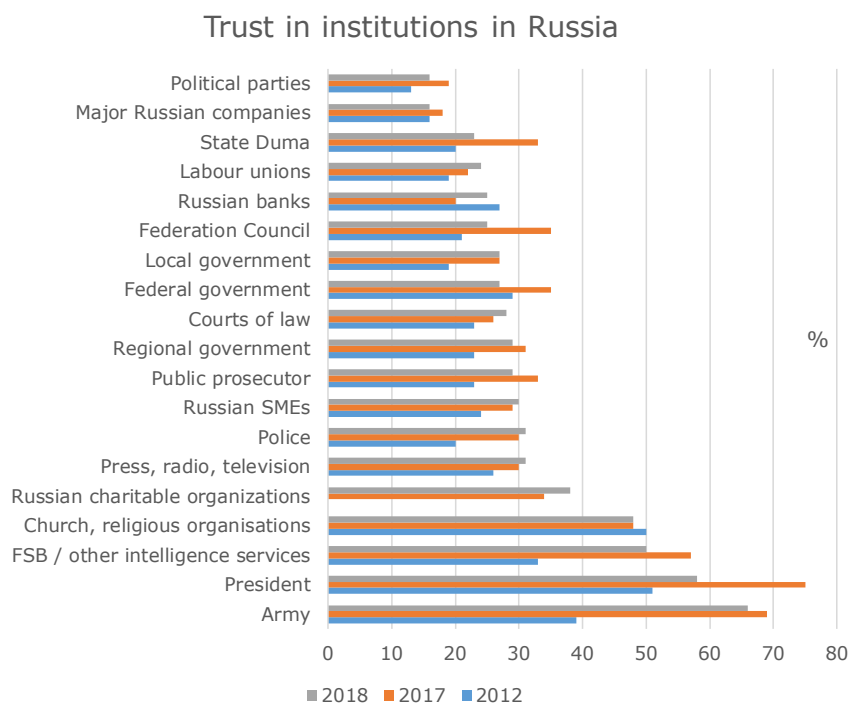


Figure 2. Trust in institutions in Russia. Image: Eemil Mitikka.⁴⁹

49 Левада-центр 2018c. Percentages of "I trust completely" on the following institutions of all replies in 2012, 2017 and 2018.

3.3 Status of communication in Russia

The Kremlin has a dominant position in communication in Russia. In Russia, 90% of all mass media is funded by the public sector in one way or another. Most important private media outlets are owned by major businessmen loyal to the regime. During the last six years, the Kremlin's hold on the mass media has become even stronger. Precision steering by the state has now changed to almost full-scale control.

In a report in 2018 mapping the status of internet in the world, Freedom House stated that the internet in Russia is not free, and its freedom has been increasingly restricted for six consecutive years. In the index measuring the freedom of internet in the world, Russia is in 53rd place among the 65 countries included in the comparison. Countries comparable to Russia include Belarus, Turkey, Venezuela, Saudi Arabia and Uzbekistan.⁵⁰

Roskomnadzor, the Federal Service for Supervision of Communications, Information Technology and Mass Media, was established in 2008. Its sphere of responsibility includes information technology licences and permits, management of personal data and looking after the rights of registered persons, as well as monitoring of telecoms traffic.⁵¹

In recent years, the Russian authorities have actively enhanced the management methods of telecom channels and data. Concrete action that has been taken include legislation passed in 2006 protecting the personal data of Russian citizens⁵², as well as a data localisation law introduced in 2015 to support the legislation⁵³. The data localisation law requires that personal data about Russian citizens must primarily be stored in databases and servers located within Russian borders. The change requires all organisations processing the personal data of Russian citizens to take action. This requirement has also caused problems for foreign companies, including Finnish companies, that have business operations in Russia⁵⁴. The law requires, for example, that companies have websites in the Russian language, the website has a Russian top-level domain, the company has advertising aimed at Russian customers, and it must be possible to pay using Russian currency. In practice, the localisation law means that maintaining two databases accessible both from Russia and from outside Russia is not permitted. However, copies of the database may be kept outside Russia's borders provided that certain conditions are met.

Breaching these obligations has also resulted in direct effects. For example, the operations of the business-oriented social network LinkedIn was prevented in Russia, because LinkedIn did not comply with the localisation law described above.⁵⁵ Preventing foreign

50 Freedom House 2018.

51 Роскомнадзор 2019.

52 Президент России 2006.

53 Президент России 2014.

54 Kauppalhti 2016.

55 Iapp 2017.

service providers from operating in Russia has led to an increase in demand of encrypted⁵⁶ connections in Russia, which allow Russians to continue using messaging services prohibited in Russian territory, such as Telegram, in the same manner as before.⁵⁷

Pavel Durov, the founder of the instant messaging service Telegram, used to own VKontakte, Russia's most popular social media channel. When he refused to provide the authorities with the personal data of people who took part in demonstrations in winter 2011/2012, he had to give up VKontakte, and he moved abroad.⁵⁸ It has been alleged that VKontakte has been working in close cooperation with the security authorities since its change of ownership. VKontakte responds to these allegations by saying that it must comply with Russian legislation.⁵⁹

Yandex, the search engine company that has beaten Google on the Russian market, is Russia's commercial internet success story. Russia's largest bank Sberbank is the business partner of Yandex, Russia's largest internet company. The Central Bank of Russia is Sberbank's biggest shareholder. The President and Chief Executive Officer of Sberbank provides reports about the company's situation directly to the president of Russia.⁶⁰ Together, Yandex and Sberbank have developed a company for the Russian e-commerce market; it is promoted as the Amazon of Russia. Sberbank is a shareholder of Yandex, and it can veto any transaction involving more than 25% of Yandex's share capital.⁶¹ In recent years, Yandex has had to remove results from its news aggregator from mass media companies that are not registered with Roskomnadzor⁶².

A package of laws bearing the name of Russian politician Irina Yarovaya is a key factor affecting the status of communication in Russia. The package was developed in 2016 in order to combat and contain terrorism. The laws consisted of requirements that obligated all telecom operators in Russia to record details of their network traffic, such as identification and location data, and to meet strict terms and conditions, including some specifying the required duration for which the details must be stored. It turned out that the requirements of the law were more difficult to implement than originally thought. No equipment complying with the requirements of the Yarovaya laws has yet been developed, and the president has announced that technical equipment supporting the legislation must be developed.⁶³ Attempts were made in 2016 to improve containment of terrorism. The FSB issued an order⁶⁴ obligating telecom operators to divulge their encryption keys to Russian security authorities. The requirement caused conflict between the Russian security authorities and several companies.

56 Virtual Privacy Networks.

57 The Moscow Times 2018.

58 The Moscow Times 2014.

59 BBC 2018.

60 Президент России 2018b.

61 Financial Times 2018.

62 The Moscow Times 2017.

63 Новая газета 2018.

64 Государственная система правовой информации 2016.

In the 2000s, social media became a space where people who disagreed with the state engaged in political debate on different forums in the same manner as they did in the kitchens of private homes during the final decades of the Soviet Union. It was used to organise the protest demonstrations of winter 2011/2012, following which the state enhanced its own communication over social media and sought to control it more closely. However, the Russian deputy minister for mass media and communications has admitted that it is, in practice, impossible to completely block any content on the internet if the user has the required skills and resources to circumvent the measures implemented.⁶⁵

In 2018, 75% of Russians were internet users.⁶⁶ Television continues to be the most common source of news. Over 70% of the population watch TV news, over 40% read online magazines, while approximately 20% follow blogs and news on social media.⁶⁷ However, trust in TV news has decreased by 30% over the last decade, while the trust people have in news feeds on the internet has tripled. For young people, the internet is already a slightly more popular media outlet than television.⁶⁸

In 2018, the volume of internet advertising exceeded TV advertising for the first time⁶⁹. Instant messaging channels and video bloggers have gained in popularity at the expense of traditional media. Television is facing increasingly intense competition from social media⁷⁰.

3.4 Protests and citizens' political influence

The fact that the electoral system supports authoritarian use of power, protests by citizens and pressure exerted on citizens all have very important roles in political and social stability in Russia. If elections keep losing significance as a channel of civil influence, it is probable that there will eventually be more demonstrations. The Kremlin has also tightened its hold over civil society, so increased pressure and oppression in society cannot be excluded.

Economic forecasts for Russia do not provide a sustainable solution for the problems that different regions and sectors in Russia are facing. Following the stricter control after the mass protests in 2011–2012 and the “Crimean euphoria” of 2014, there have been few participants in protests. The small size of protests is explained mostly by the fact that it has become more difficult to get permits to hold demonstrations and the penalties for participation in unauthorised demonstrations have become more severe.

65 TASS 2018.

66 Исследование GfK: Проникновение Интернета в России.

67 Источники новостей и доверие СМИ. ФОМ.

68 Ведомости 2018b; Левада-центр 2018e.

69 Коммерсантъ 2018.

70 Комитет гражданских инициатив 2018, s. 24, 29 ja 34.

The protests of 2017–2018 differ from those in 2011–2012 in four significant respects:

1. Geographical scope: all over Russia, not just in major cities.
2. Demographic change: extensive participation by young people.
3. More extensive range of themes: strong dynamics in protest themes and obvious, yet not explicit link to opposing corruption among the elite.
4. Readiness to protest in spite of deterrents: the deterrents limit the number of participants, but not the reasons for protests.

The spread of protests to practically all areas of Russia is a new and already quite established feature. Furthermore, the subjects of protests cover almost all aspects of everyday life, from waste management to problems with financial institutions and property developers.⁷¹ In spring 2018, the increase in the retirement age proposed by the government and President Putin's strong commitment to the government bill faced unprecedented opposition. Almost 90% of Russians said they opposed the reform, and as many as 53% said they were prepared to demonstrate their opposition.⁷² Before that, the weak trust that citizens had in the government, authorities and politicians had not been a significant problem for the Kremlin's use of power, but now support for Putin is also considerably lower. This may have significant consequences, because in the past Putin has been able to rise above dissatisfaction among the people by delegating the problems to lower levels of government. For example, in his inauguration ceremonies in 2012 and 2018, the president issued⁷³ the "May Decrees", which included several reform goals. The decrees in May 2012, at least, were unrealistic, given the economic possibilities that the regions had of achieving these goals.

Although no immediate economic, political or military threats are on the horizon for Russia's current system,⁷⁴ the sudden drop in Putin's popularity shows that it is difficult to assess the citizens' dissatisfaction and readiness to demonstrate solely on the basis of the support enjoyed by the social elite and President Putin. The readiness of Russian people to protest can change rather rapidly, as shown in Figure 3. For example, anti-corruption protests increased suddenly early in 2017 when Alexei Navalny, who is excluded from receiving official publicity but has a strong influence in the internet, mobilised extensive anti-corruption protests around Russia. Similarly, their number dropped late in 2017 as a result of pressure exerted on the demonstrators.⁷⁵

The interconnectedness of economic power groupings in Russia mean that there may well be more anti-corruption demonstrations in the future. In addition, protests related to everyday life and the living environment may become more deeply intertwined with opposition to political corruption. On the other hand, the attitude of Russian people regarding corruption has not significantly changed: it is considered a negative phenomenon, but at

71 Minchenko consulting 2018; Центр экономических и политических реформ 2017.

72 Левада-центр 2018.

73 Президент России 2018а.

74 Gill 2018, ss. 1–24.

75 ОВД-Инфо 2018.

the same time a regrettable custom.⁷⁶ However, the dynamics and extent of protests indicate that people are more prepared to seek a change to the status quo. Surveys clearly show that citizens expect the state to invest resources in improving their everyday lives.⁷⁷

The turnout rates in local elections, especially, are very low, and they are also on the decline in parliamentary elections, which are problematic developments as far as elections and social participation are concerned. In the 2018 local elections, the official opposition parties – above all the Communist Party of the Russian Federation and the Liberal Democratic Party of Russia – beat in a few constituencies candidates from the Kremlin’s ruling party, United Russia. However, the willingness to compromise and actual submission to the blatantly fraudulent conduct of the ruling party showed that the Kremlin is still able to maintain its authoritarian hold over the official “systemic opposition”⁷⁸ for the time being.

The poor reputation of all the parties is becoming a major problem. The local success of the systemic opposition in 2018 was largely the result of protest votes, rather than improved support for these parties. Candidates from both the extraparliamentary opposition and the systemic opposition who are “too independent” have been systematically excluded from elections using administrative pretexts. Ordinary citizens have little chance of changing the situation. Dissatisfaction among citizens has increased in recent years, while their opportunities to influence issues have further decreased. This poses a serious risk to social and political stability.

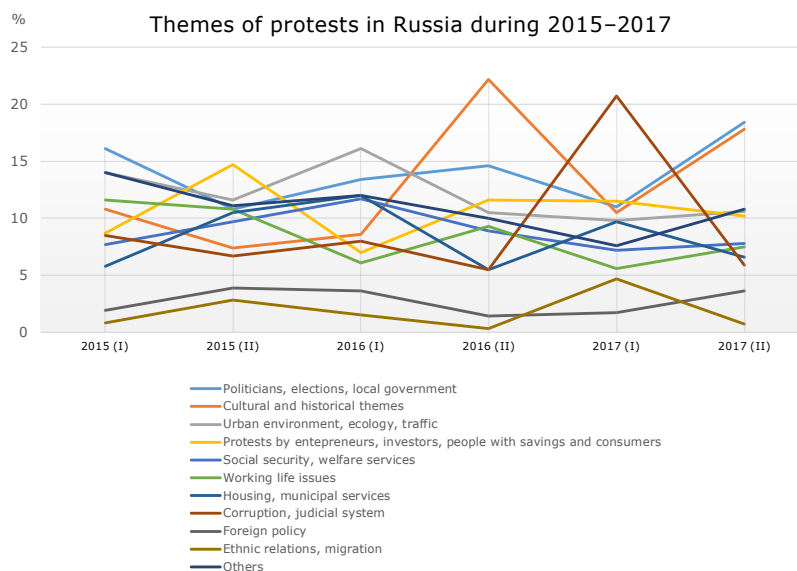


Figure 3. Protest themes as a percentage of all protests in Russia during 2015–2017 (six-monthly figures).⁷⁹
Image: Eemil Mitikka.

76 Левада-центр 2017.

77 Volkov 2017.

78 The term “systemic opposition” refers to the opposition that is officially recognised by the Kremlin and does not “excessively” oppose the policies promoted by the Kremlin.

79 Комитет гражданских инициатив 2018.

The foreign policy focus emphasized by the Kremlin and mainstream media, particularly state television, does not give rise to much opposition by the citizens. However, an increase in protests related to foreign policy cannot be excluded, because the themes of protests can change rapidly. Regarding foreign policy, the potential for protests has to do with the dissatisfaction with the regime's choice of economic priorities between internal politics and foreign policy.⁸⁰ In this respect, the Kremlin's possibilities to use foreign policy as to help compensate for challenges in internal politics are facing increasing pressure.

Given the authoritarian trend of Putin's regime since 2012, the pressure on civil society and demonstrations is likely to remain intense – or even to intensify further. Besides political pressure, attention must be paid to citizens' willingness to emigrate. In a survey carried out in 2018, one in five Muscovites said they wanted to move abroad, while the figure elsewhere in the country was just a few per cent.⁸¹ The increasing popularity of emigration concerns above all those people most essential for the modernisation of Russia: young, educated urban people with a good command of languages.⁸²

3.5 Effect of the authoritarian system on public opinion

The low level of trust is also indicated by the low response rates to surveys in Russia.⁸³ This is one reason why it is difficult to reliably assess solely on the basis of surveys citizens' actual commitment to the policies and values that Russia's leadership promotes. Furthermore, attitudes can also change relatively quickly if the attitudes of Russia's leaders or the elite change or in a situation where authoritarian institutions face a crisis that weakens their position. Therefore, the picture of Russian society that opinion polls paint is not a complete one. Particularly in countries under authoritarian regimes, responses may be affected by the way that various issues are framed by the elite, the general view of what are considered social norms, as well as the expected social consequences of expressing opinions, such as pressure from society or the government. These factors must be taken into account when interpreting surveys in Russia.⁸⁴ For example, survey data collected in recent years indicates that relatively few Russians are actually afraid to publicly express their views on the policies of Russia's leaders. However, relatively few people also feel that they can speak completely freely about such issues: in 2012–2017, the average was 34%.⁸⁵

80 Волков 2018.

81 Радио свобода 2018.

82 The Insider 2016.

83 Lefteast 2017; Юдин 2016.

84 Rogov 2017.

85 Левада-центр 2018а, s. 43.

4. Economy and demographic development

4.1 Economy

Communication by the state's leaders in Russia has focused a lot on adjusting budget expenditures. There has been far less focus on market-positive system changes aimed at creating reliable regulation, which could incentivise business operations and the generation of income. During the past decade, Russia's leaders have only rather infrequently spoken about the business environment, and only at a general level. In transition economies, reforms are at times debated between the parties advocating them and opposing them, but in Russia, the symbiotic relations between those in power, the authorities and companies combine to resist reform, particularly when it compromises the positions and benefits they have achieved. The regions and localities have not embarked on reforms as visibly and successfully as they did in some cases in the 1990s and 2000s. The patriotic rhetoric underlining the special status and unity of Russia, sometimes using harsh tones, and the lack of trust tend to make companies even more careful. The people are far less in favour of a market economy than they are of a planned economy.⁸⁶

The economic equilibria in Russia are rather good (see Figure 4), which supports growth. The country's leadership also views these equilibria as important in fostering stability and the nation's as well as its own sovereignty.⁸⁷ Unemployment rates are currently far lower⁸⁸ than at the beginning of the Putin era and during the recession of 2009. Regional and local leaders were at that time made responsible for dealing with it under threat of being fired. Inflation has slowed down, which mainly supports people with low incomes who have to spend all of their income. The Central Bank of the Russian Federation has a target for inflation of about 4%, and it runs an accurate monetary policy. The state regulates some prices, mainly those of household energy, important medicines and petrol. Russia's leaders have usually maintained a government budget surplus, among other things by applying budgetary rules. The rule introduced at the beginning of 2018 sets a fairly strict framework for expenditure⁸⁹ and generates a surplus at the current oil prices. The Central Bank has been promoting stability in the banking sector for a long time. The country's external sector current account balance has been managed by letting the exchange rate of the rouble float since November 2014.

86 EBRD 2016a.

87 However, long-term imbalances, such as underemployment at places of work, dismantling of price regulations and large, uncovered pension liabilities (estimated in IMF 2014 to be over 280% of GDP in 2012) are to be taken care of later.

88 According to a regular labour force survey carried out using the methodology of the International Labour Organization (Росстат 2010 and Росстат 2006–2018).

89 The calculated price of Urals crude for the next few years is approximately USD 42 per barrel, and the budget must not have any "basic deficit", which means deficit before interest expenses for state debts.

Exports of energy and metals represent approximately 17–18% of GDP, which means that fluctuations in world market prices can swing the balance. However, preparations have been made for such swings. The primary buffer is the exchange rate of the rouble, which decreases when oil prices and export revenues drop or when capital flows out of the country, e.g. when new sanctions are imposed or threatened. This dampens the slide in export revenues and dollar-based oil tax revenues in roubles, and particularly steers the decline of domestic demand to imports. The decline in imports naturally also concerns Finnish exports to Russia. The Central Bank can moderate any excessive drops in rouble exchange rates through currency market operations, because the country has ample reserves of foreign currency.⁹⁰ Falls in the price of oil (which notably occurred in 1998, 2009 and 2014–2015) erode budget revenues because oil and gas tax revenues represent a large part of them.⁹¹

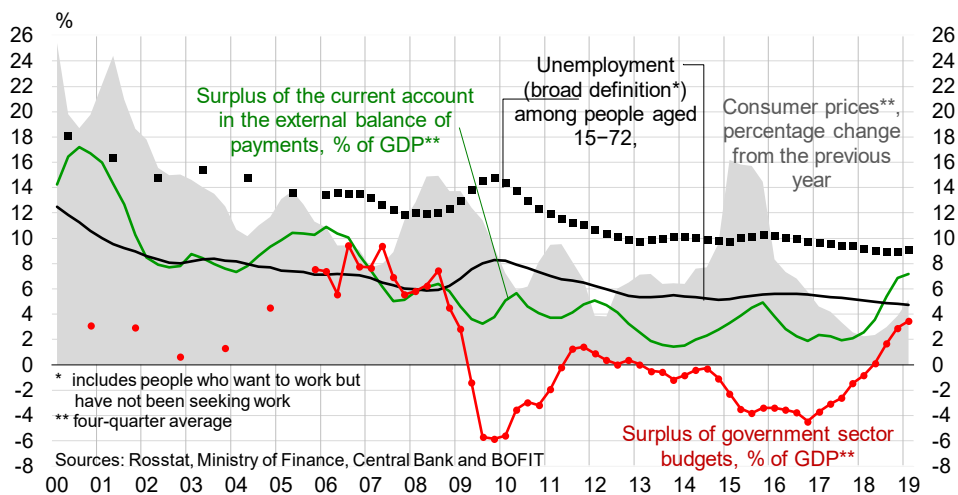


Figure 4: Key equilibrium indicators of the Russian economy. Image: Vesa Korhonen.

There are savings to finance the budget deficit, for example in the Russian National Wealth Fund (which is currently the state's sole reserve fund). At the end of 2018, the Russian Federation's deposits at the Central Bank totalled 9% of GDP. The state has debts amounting to only 12% of GDP, and as a reserve, it can rely on the state-owned banks, and in extreme situations on the Central Bank.

The social contract of the 2000s has become eroded. The chain of events during the recession of 2015 (a fall in the price of oil had a knock-on effect on the rouble exchange rate, which led to higher inflation) reduced household consumption by 10%. Russia's leaders nevertheless maintained their strict policy regarding salaries and pensions. Before the Duma elections in autumn 2016, pensioners were promised a considerable lump sum and

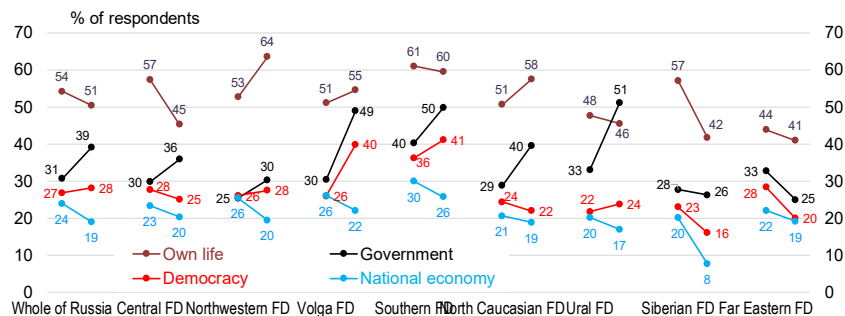
90 In addition, large, state-owned export companies were instructed in late 2014 to limit foreign currency receivables and special controls were imposed on payments by banks.

91 In 2017, 40% of federal budget revenues and 20% of consolidated budget revenues (the Russian Federation, its regions and localities, and state social funds).

reinstatement of index-linked rises. As the presidential election of 2018 was approaching, Putin announced salary increases as well as minor social and tax benefits. These benefits applied to millions of voters but did not require very much in funds compared to the pension and salary increases for the 2008 and 2012 elections. The policy indicates that Russia's leaders do not strongly believe there will be much economic growth.

The coefficient representing income distribution among the population⁹² has slightly decreased, but was still 38–41% in 2016–2017, i.e. of the same order as the extreme values in Europe. The statistics show that the 20% with the highest income receives a bigger share of the total income of population than almost anywhere else in Europe, while the three lowest-income categories earn slightly less than in most of Europe⁹³.

On the other hand, many Russians remember much bleaker times. In 2018, household consumption was up 40% from 2006, and the percentage of people in poverty has decreased a lot over the years. There are major differences in living standards between different regions, which is also partly reflected in satisfaction among people in different regions. (See Figure 5.) In Karelia, for example, consumption per capita is half of that in Finland. Nevertheless, Putin has had slightly better than average election results in 2012 and 2018 in regions where consumption is lower⁹⁴. The popularity of Russia's leadership grew following the capture of Crimea, but it has since been decreasing for a few years, apart from Putin's own popularity. His personal popularity may also decrease following unpopular reforms, as happened in early summer 2018 when the government announced increases to the retirement age and VAT rate. Late in the summer, Russia's leadership decided on notable increases to pensions up to 2024.



Source: ESS 2012 and 2016

Figure 5: Satisfaction among Russian people by federal district in 2012 and 2016. Image: Vesa Korhonen.

92 The Gini coefficient before and after taxes and transfers.

93 Песчан 2018 and World Bank 2018a.

94 Comparative calculation for Karelia using consumption and price data from the World Bank and Rosstat. Data on regions is from the Central Election Commission of the Russian Federation and Rosstat's consumption and price statistics.

Export prices only boost economic growth when they rise, and Russia's leadership knows that the price hikes in 2000–2008 were exceptional. (See Figure 6.) The talk of annual growth of several per cent that began early in the 2000s is continuing, but the prerequisites for such economic growth are not present. Forecasts expect that GDP will increase by 1.5–2% per year in the next few years if the price of oil remains at USD 60–75 per barrel and no significant reforms supporting growth are carried out.⁹⁵ The forecasts for economic growth over the next few years predict a slower rate for Russia than in almost all other countries in Europe. Adjusted for purchasing power, Russia's share of the world economy will slightly decrease from the current figure of just over 3%. The size of the economy will remain unchanged at approximately one fifth of that of the USA and will keep decreasing compared to China from the current 17%.⁹⁶

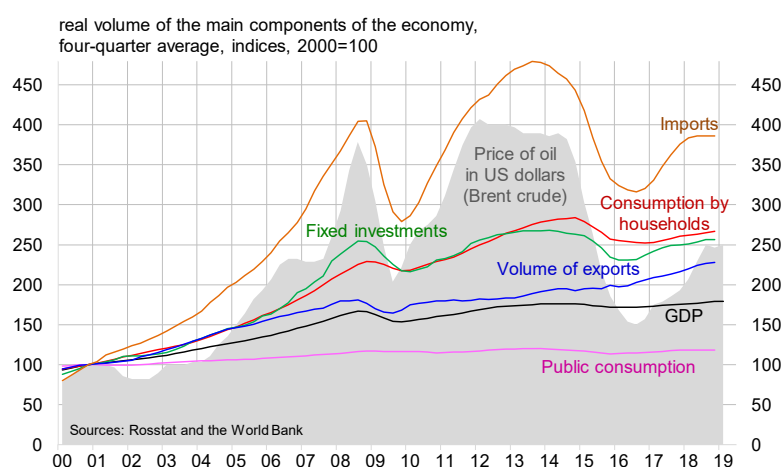


Figure 6: Growth in the main components of the economy and the world market price of oil.

Image: Vesa Korhonen.

In the 2000s, there was plenty of available labour and productive capital, as well as possibilities for improving productivity. Today, the basic prerequisites for economic growth are not good, but sanctions imposed by foreign countries are far from being the main culprit⁹⁷. It is already somewhat difficult to increase employment, but the gradual increase in the retirement age starting from 1 January 2019 will start alleviating the situation.⁹⁸ The migration of workers into sectors and localities suffering from a lack of available labour could be

95 This is projected e.g. by Банк России 2018a and Министерство экономического развития 2018, IMF 2018a, World Bank 2018b, OECD 2018a and BOFIT 2019. The growth rate forecast for the next few years is based on long-term growth estimates. (Estimates have been lowered over the years; see e.g. World Bank 2018c, Korhonen, Iikka 2015 and Rautava 2004 & 2013.)

96 IMF 2018b and World Bank 2018a.

97 They are estimated to have been responsible for approximately 0.5–1 percentage points of the 2.7% decline in GDP in 2015–2016 (Korhonen et al 2018).

98 Банк России 2018b and Министерство экономического развития 2018

aided e.g. by developing employment services. Compared to EU countries, there is a much bigger shortage of skilled workers and considerably less training for adults.⁹⁹

The productive capital is rather worn out and aged. The investment ratio, which measures the ratio of investment to GDP, remains low.¹⁰⁰ The low volume of investments is harmful to infrastructure (particularly the road network)¹⁰¹, as well as to productivity and diversification of the economy, which Russia's leaders have frequently called for. Major investments are being made in the energy sector, but at the same time, the proportions of oil and natural gas in the global consumption of energy are falling. Manufacturing industries make few investments. Companies' research and development expenses, in particular, are much lower than in almost any developed country. Innovation was added to the management lexicon of Russia's leadership some ten years ago with state-driven and forcible emphasis. The small number of international patent applications filed from Russia indicates that the results were meagre. Companies are the core element of productivity, but prospects for improving productivity do not look promising in the light of country comparisons of investments, R&D, employee skills and company management¹⁰².

Among other things, the state can support the development of companies through its choices regarding expenditure in the state budget. However, the leadership's focus has shifted in another direction. In spite of pensions being small, social security expenses have comprised more than one third of all expenditure throughout the 2010s, because the number of pensioners has increased. The decision to raise the retirement age was taken after the state leaders had been assuring people for many years that it would not be increased. Spending on defence and internal security accounts for 15–18% of budget expenses. That proportion has increased, particularly following the sharp rise in defence spending in 2013–2016.¹⁰³ Internal security was given additional funding after the 2012 presidential election and the demonstrations. The segments promoting welfare, development and economic growth (i.e. healthcare and education) each receive 9–10% of budget funding. The intention is to increase spending on these two segments. Expenses related to the environment remain almost the lowest in the world at 0.3% of GDP.

There is no public programme aimed at market economy reforms. A presidential decree on 7 May 2018 lists projects for improving e.g. education, healthcare, roads, digitalisation and the productivity of a limited group of companies, and the government programme up to 2024 is similar. The intention is to create a better basis for economic growth, but systemic reforms, such as improving and developing the operations of public authorities, are scarcely mentioned.¹⁰⁴ Russia's leadership is also continuing with its industry sec-

99 OECD 2014.

100 For more details, see e.g. Korhonen 2018.

101 WEF 2018; EBRD 2016a & 2016b.

102 EBRD 2012.

103 For possibilities of increasing defence expenditure for the next few years, see Korhonen 2018.

104 Президент России 2018a (see also Simola 2018), Правительство 2018.

tor-specific programmes without taking a broader view, and is paying little attention to studies and public discussion concerning reforms.

In Russia, the need for reform still mainly concerns the basic elements of market economy, as deficiencies there are detrimental to competition. The state's holdings in companies do not necessarily mean that the state interferes with their operations, but in Russia, people in power actually do interfere for different reasons, which vary from underlining the interests of the motherland to personal gain, for example.¹⁰⁵ Particularly the privatisation of major state-owned companies, which came to a halt years ago, has not recommenced. On the contrary, the state has at times increased its holdings. Furthermore, people in power can also pursue their goals by influencing the owners and managers of private companies. Interfering with business operations weakens the efficiency of companies and the willingness of competitors to the enterprises in symbiotic relationships with Russia's rulers to enter the same sectors.

The actions of the authorities are superseded, for example, in cases where regulations are applied in ways that suit the needs of people in power. This keeps companies in a state of uncertainty. These kinds of arbitrary actions can apply to anyone, and favouring some discriminates against others. Surveys indicate that e.g. the conduct of the Federal Tax Service has improved¹⁰⁶, but the actors and factors that have created most problems for companies in the 2010s – more than e.g. in the most recent EU member states – were the permit authorities, tax authorities, customs, courts, corruption and weak protection of the right of ownership.¹⁰⁷ The Federal Antimonopoly Service operates in a suboptimal manner and sometimes makes decisions that actually restrict competition. Russia does not score highly in broad comparisons of system characteristics and business environments.¹⁰⁸

The Russian economy has become open to a relatively small extent. Following 18 years of negotiations, the country joined the World Trade Organization (WTO) in 2012, partly attracted by the status of being a member. Even this mild degree of openness gave rise to warnings of the threat of imported products, and the benefits attracted little attention. There is little interest in free trade, and hopes of a free trade agreement between the EU and Russia faded long before the annexation of Crimea. The closest relations regarding economic integration are focused on countries that pose little risk to Russia's own production and are most promising for the circle of power.¹⁰⁹ In recent years, Russia has increased import restrictions and production support, and – following the imposition of sanctions – has enhanced the policy of replacing imports that was already made official ten years ago. The actual viability of production supported by state funds and import restrictions is questionable.

105 State-owned companies have revenues estimated at 12% or more of the total revenues of non-financial sectors (IEP 2018). State-owned banks, following an increase, now account for two thirds of the total of balance sheets in the banking sector (IMF 2018c).

106 CEFIR 2007 and EBRD 2012.

107 EBRD 2012 and 2017, WEF 2018 and World Bank 2018d

108 World Bank 2018d and 2018e, EBRD 2018 and WEF 2018.

109 In particular, the Eurasian Economic Union and also CIS free trade and free trade e.g. with Vietnam.

4.2 Demographics and public health

There has been public debate throughout the 2000s in Russia about the demographic crisis being a threat to the country's great power status. Population growth took a slight turn for the better approximately ten years ago after bottoming out (Figure 7). Healthy population growth could calm the atmosphere and improve self-esteem and political confidence. The overall impact on Finland's security could then be assumed to be positive. However, population forecasts (including those produced in Russia) predict that population will again begin to decrease in the coming years.

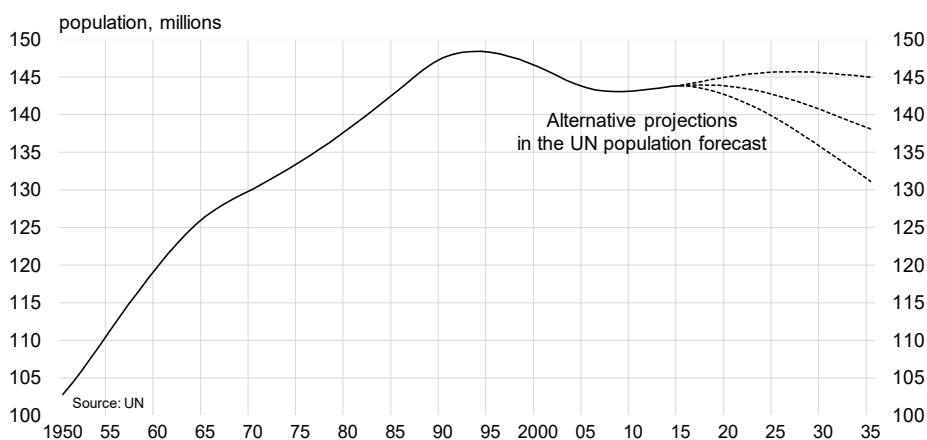


Figure 7: Population of Russia 1950–2035. Image: Vesa Korhonen.

It is forecast that the working-age population in Russia will decrease by 0.3–0.6 million a year for the next 5–6 years. These forecasts are largely based on the assumption that natural (net) population growth will continue to be negative, i.e. the number of deaths will exceed the number of births every year. In 2013–2015, Russia enjoyed a three-year period of slightly positive population growth, until it turned steeply negative in 2017 and 2018. (See Figure 8.) In 2017, the development of population was the worst for a decade: the birth rate decreased by approximately 10% and the number of deaths exceeded the number of births by 136,000. There is a simple reason for the decline in the birth rate: the historically small age cohorts of the late 1990s and early 2000s will soon reach childbearing age. By the beginning of the 2030s, the number of women in childbearing age will be approximately one third lower, i.e. around 7–8 million less than what it was at the beginning of the 2010s. The dependency ratio will suffer as the age cohorts entering working life begin to decrease in size and the baby boomer generation starts leaving the labour force.¹¹⁰

110 Центр стратегических разработок 2017.

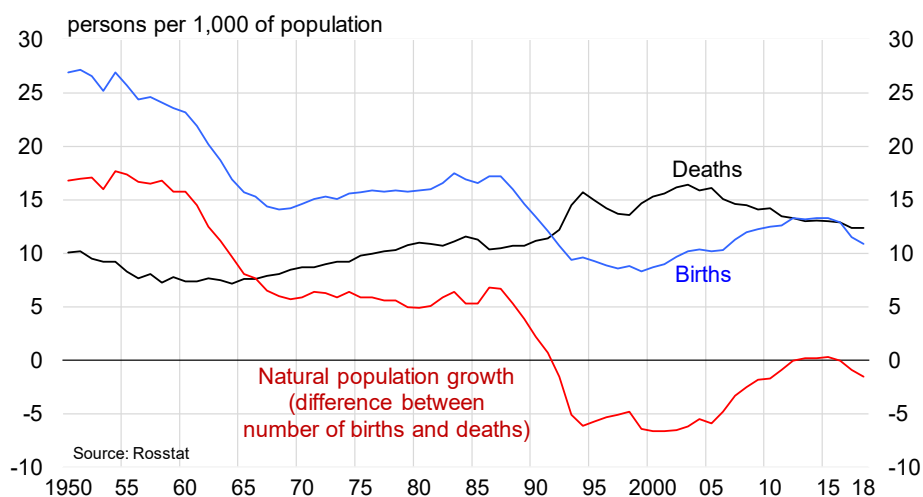


Figure 8: Natural population growth in Russia in 1950–2018. Image: Vesa Korhonen.

The number of Russian people living in poverty has halved since the economic crises following the collapse of the Soviet Union; rapid economic growth and the low birth rate after the crises ended have had particular impacts. The birth rate in Russia was at its lowest in 1999, when there were 8.3 births per thousand people. Following that, the birth rate improved, standing at 13.2–13.3 in 2013–2015.¹¹¹

The mortality rate is still very high in Russia: 12–13 deaths per 1,000. In Finland, by comparison, the rate is 9.7–9.8. The background factor still affecting mortality in Russia is the exceptional social transformation of the 1990s, which had the effect of steeply increasing mortality. The mortality rate is in part explained by the use of intoxicants and people's lifestyles. Russia's demographic development includes a paradox: the life expectancy of Russian men in particular has not significantly increased, despite the rapid economic growth in the 2000s. So far, the state has, above all, concentrated resources on increasing the birth rate with family policy measures and has also managed to decrease the mortality of new-born infants.¹¹²

Due to the unfavourable development of its population, Russia needs labour migration, and the economy has depended on migrant workers for years. Official statistics show that during 2011–2017, an average of half a million people migrated to Russia every year.¹¹³ However, anti-immigration sentiment is leading to pressure on decision-making. This feeling particularly concerns visually distinct ethnic minorities, such as people from Central and East Asia. In the past few years, the importance of migration policy has increased in

¹¹¹ Finland, by comparison, has in recent years had a lower birth rate: 9–10 per 1000. The total fertility rate (children per woman of fertile age) in Russia has increased from 1.2 (1999–2000) to 1.6–1.8 (2010–2017). In Finland, the fertility rate was 1.9 in 2009–2010, but has since decreased (and was 1.6 on average in 2015–2017).

¹¹² Kulmala et al, 2014

¹¹³ Net immigration (the difference between immigration and emigration) has been just under 300,000 people per year.

national security thinking in Russia, which also provides guidelines for societal policy.¹¹⁴ Since the beginning of the 2000s, reforms in migration policy have been a balancing act between a more practically oriented and liberal approach, and an approach emphasising security aspects and nationalist issues.¹¹⁵ In 2016, the Federal Migration Service was discontinued as an independent service, and its functions were transferred to the Ministry of Internal Affairs.

The poor average health of Russia's economically active adult population has already been hampering and jeopardising sustainable economic and social development for a long time.¹¹⁶ From the perspective of public health, Russia is still wasting its human capital much more than its Western neighbours.¹¹⁷ If the general public health situation were to improve due to healthier lifestyles and basic preventive healthcare, this would result in considerable benefits to the national economy in the form of savings and economic productivity. It would also naturally improve the quality of life of citizens, which is also one of the goals of Russia's security strategy. Issues related to public health and quality of life also reflect directly on the neighbouring countries from the perspectives of both health and security. The security aspects are particularly related to intoxicants, such as the flow of narcotics.

A slow change for the better has started in the public health of Russia, but continuing the trend will require sticking to a health policy based on systematic evidence and taking health into account in all areas of social and public policy. In the future, the significant differences in health between regions may cause dissatisfaction, perhaps even leading to pressure on Russia's leadership.

4.3 Immigration into Russia

Until the economic recession that started in 2014, Russia received the second-highest number of immigrants in the world, after the USA. Approximately 80–86% of immigrants coming to Russia are citizens of CIS countries, with people from Uzbekistan and Tajikistan being the biggest individual groups.¹¹⁸ During the 1990s, ethnic Russians from former Soviet territories, in particular, moved to Russia after unrest started brewing in those areas. Labour migration increased in the 2000s, and the first immigrants from Central Asia were often educated urban dwellers. Later in the decade, immigrants often came from rural ar-

114 Heusala et al. 2016, p. 40.

115 Abashin 2017.

116 For a comparison of healthcare and illnesses between the countries, see e.g. The Lancet 2018; for self-assessments of the population's health, see e.g. EBRD 2016a.

117 This waste can be assessed using potential years of life lost (PYLL), a national health indicator where the years of life lost that are preventable are calculated on the basis of deaths occurring before the age of 70. PYLL calculations can be used e.g. for financial assessment of the health benefits and the human potential from improved health. For further information on PYLL calculations, see OECD 2018(b).

118 Министерство внутренних дел 2018.

eas, with a poor command of the Russian language and low level of education. Some immigrants work in expert positions, but the majority are employed in lower-paid sectors, such as the construction industry, facility maintenance and transport. Most immigrants come to Russia alone, sometimes in the company of a close male relative. In the 2010s, more than 80% of immigrants have been men, and 75% have been aged under 30.

The Russian state has sought to attract immigrants with professional skills and of ethnic Russian origin. For example, a programme was initiated in 2006 and reformed in 2012 to promote the voluntary return of ethnic Russians living abroad to the Russian Federation. However, the programme has quite strict conditions, and there have been nowhere near enough willing immigrants who meet those conditions to satisfy the shortage of labour in Russia. One major reason for this is the lack of interest in moving to Russia, particularly among Russians living in the West.¹¹⁹

It is estimated that the number of migrant workers will remain at the current level until 2020 (i.e. approximately 8 million). It is estimated that approximately 80–86% of all immigrants coming to Russia are citizens of CIS countries. In Moscow and the Moscow Oblast, this would translate to 2.4 million people, and in St. Petersburg to 840,000. That would mean that 12.5% of the labour force are of foreign origin.

In Russia, family reunification, entry to the labour market or educational institutes, obtaining social security and applying for citizenship are challenging for people who have been granted asylum or refugee status. From the perspective of asylum seekers, the current immigration policy will therefore lead to a situation where it is impossible for them to build their lives financially or otherwise on the basis of the residence permit they have been granted. Usually, even those who have received a positive decision cannot stay in Russia permanently. From the perspective of asylum seekers, Russian immigration policy can be described as very restrictive.¹²⁰

Reforms were implemented in 2014 and 2015 to legalise the status of employees from countries from with no visa requirement and for creating more distinct categories of immigrants.¹²¹ Passing a test of cultural knowledge and language skills was added to the requirements for obtaining a work and residence permit. Furthermore, a new type of work permit was introduced for employees coming from countries that do not require a visa. At the same time, the penalties for violating Russia's immigration laws have become stricter, including deportation, fines, arrests and bans on entering the country for five to ten years.

However, instead of a simpler policy promoting legality, the costs incurred by individual immigrants have increased, and negative actions were emphasised when enforcing the legislation. The challenges created e.g. by the war in Ukraine, the FIFA World Cup and the Eurasian Economic Union became priority objectives for the authorities and clearly ham-

119 Myhre 2017.

120 Fomina 2017.

121 Abashin 2017.

pered the work to develop the immigration system. Immigration policy has been the subject of competition between different interest groups.¹²²

Although the new work permit is an important step in developing the immigration system, the new rules have not significantly changed the number of illegal workers.¹²³ Besides the cumbersome and expensive process of obtaining the permits, this is also due to migrant workers not being familiar with the rules and administration in Russia, as well as the fact that entrepreneurs operating in Russia are tempted to use cheap labour. Furthermore, the number of work permits and temporary residence permits granted does not correspond to the number of immigrants seeking employment. Estimates regarding the number of people working illegally without the required work and residence permits vary greatly.

In practice, Russia's immigration policy seems to aim at most of the migrant workers also returning to their homelands at some stage. In the 2010s, the Federal Migration Service initiated programmes aimed at integrating immigrants, but they have been modest compared to the number of immigrants. The integration programmes have been criticized for not taking into account the needs of immigrants or not reaching them, as well as for the fact that funds allocated for them are lost due to corruption. In August 2017, integration issues were transferred by a presidential statute from the Main Directorate for Migration Affairs of the Ministry of Internal Affairs to the Russian Federal Agency for Ethnic Affairs. In addition to the integration of immigrants, this agency was also given responsibility for drawing up immigration-related legislation.

A significant proportion of migrant workers in Russia work in the shadow economy, in arrangements without contracts where their position is comparable to extortion-like work discrimination. Particularly the extensive use of workers from Central Asia without contracts is one of the key factors maintaining the shadow economy in Russia. This means lost tax revenues, but it also has more far-reaching consequences for Russian society. The quality of production, products and services suffers from poor working conditions and insufficiently trained employees. The shadow economy distorts competition and maintains widespread corruption. It is easy to exploit immigrants ignorant of Russian legislation and administration who live outside mainstream society. In turn, the exploitation of immigrants keeps wages artificially low.¹²⁴

Corruption is associated with the control of immigration and immigrants in many ways. The police routinely stop immigrants, particularly those who obviously belong to ethnic minorities, and check their work permits and registration. Bribes constitute a significant part of the income of police overseeing public order, and this has far-reaching consequences for the operating culture of the Russian police force, and thus also for judicial protection in general.¹²⁵

122 Abashin 2017.

123 Eraliev 2018.

124 Heusala & Aitamurto 2017.

125 Zabelina 2017.

As the majority of immigrants are (due to their lack of identity papers, ignorance or suspicion) incapable of relying on official structures like the judicial system or social services, they often rely on alternative, unofficial systems. These unofficial networks may also have connections to organised crime. Unpaid wages can be collected with the help of criminal organisations who specialise in this.¹²⁶

The structural problems associated with immigration, ranging from the shadow economy to corruption, increase anti-immigrant attitudes and racism among the majority population. Since the problems associated with immigration have not been conclusively solved, they increase conflicts and ethnic confrontations in society. The nationalist frame of interpretation also distorts the public debate on structural problems in society. Immigrants working without the required papers have little chance to defend their rights in the labour market by organising, which in turn weakens the position of employees in Russia in general. Thus, the extensive use of paperless labour is also detrimental to the development of democracy in Russia.

The large number of migrant workers without identity papers weakens Russian society in many ways, but also produces short-term benefits. Unregistered migrant workers do not use the social and health services paid for by the state. If they fall ill or retire, migrant workers mainly return to their homelands. Migrant workers without contracts are easy to dismiss depending on fluctuations in the labour market.¹²⁷ Reforms aimed at reducing corruption and illegal labour have often faced tacit opposition, when different parties seek to hold on to the benefits achieved. Different public authorities may also have differing interests.¹²⁸

The factors affecting the immigration situation in Russia will largely remain unchanged in the next few years. The country will continue to need millions of short-term migrant workers, who have traditionally come from the CIS countries. Construction work in Russian growth centres would not be possible without low-paid migrant workers. The number of employees varies slightly with the economic situation. The work permit charges paid by migrant workers in 2016 accumulated USD 70 million in the coffers of the Russian state. There has been little internal pressure in Russia based on human rights or the obligations of international law to make the country's immigration policy more humanitarian. There has also been little political pressure to combat the shadow economy. In Russia, criticism of corruption is focused more on individuals and sequences of events than on structural problems that would require looking after the interests of society.

The opposition has taken a more critical attitude towards immigration than the Kremlin. Should Putin and his regime unexpectedly have to step aside, they could be replaced by parties who would follow a stricter immigration policy. For example, particularly the nationalist opposition has demanded that visas should be required for citizens from Central Asian countries.

126 Urinboyev & Polese 2016.

127 Heusala & Aitamurto 2017.

128 Light 2013.

Russia's immigration policy is, in many ways, closely linked to its foreign policy and the development of the Eurasian Economic Union, which will not necessarily suffer any setbacks if the mobility of labour is restricted. On the other hand, increasing the free movement of labour is at the core of the cooperation, and thus is also resulting in pressure on Russia's immigration policy.¹²⁹

Labour migration from Central Asia has also been a factor improving the political stability of these regions. The possibility to work in Russia has alleviated the pressure increased by high unemployment, which may otherwise have erupted in political unrest. Remittances from Russia are also an important stabilising factor. According to the Central Bank of the Russian Federation, the total value of remittances from Russia to Central Asian countries in 2016 amounted to USD 6.9 billion, having been USD 13.6 billion in 2013. For instance, in 2016, the value of remittances comprised one third of the GDP of Tajikistan and Kyrgyzstan.¹³⁰

A sudden collapse of the security situation or chaos in society in Russia's neighbouring countries or a change in global migration could increase the risk potential of illegal immigration both to and from Russia. Russia has over 20,000 kilometres of external borders with former CIS countries with considerably lower living standards and poorer security situations. For example, in the statute on Russian border policy approved in April 2018, increasing the military presence on the borders with Central Asian countries is not among the top initiatives. On the other hand, the statute stipulates that bilateral and multilateral border cooperation should be further developed.

For years, Russian asylum seekers of Chechen origin have been coming via Belarus to Poland and further to central Europe, mainly heading towards Germany. However, the number of Russian citizens turned back from the border between Poland and Belarus has decreased over the years. The potential of illegal immigration from Russia via Ukraine is also worrying. According to the European Border and Coast Guard Agency, Ukraine is the main route from Russia for illegal immigration for people from the Caucasus region and Central Asia people.¹³¹

4.4 Radicalisation of migrant workers

The radicalisation of young people of Central Asian origin (e.g. over the internet) is seen as a challenge to internal security in Russia. Bad treatment, lack of income and marginalisation leave these migrants susceptible to jihadist propaganda. One study found that second- and third-generation Muslim migrants in Europe react to discrimination with religious

129 Heusala & Kangaspuro 2017.

130 Eurasianet 2018.

131 EASO 2018; Frontex 2018; Independent 2017.

radicalisation more easily than their parents do.¹³² The situation of migrants from Central Asia living in Russia should not be compared directly with the experiences in Western Europe, for example in the United Kingdom or France. Russia and Central Asia still share the experience of the same political system, and almost three generations of people in Central Asia have lived in states that are officially atheist. Labour migration is a relatively new phenomenon, and most migrant workers come to Russia for seasonal work, unlike in the West, where migrants intend to settle down permanently with their families.¹³³

For example, it has been estimated that some 2,000–4,000 people from Central Asia live in areas controlled by Islamic State, but there is no exact information on the number of people leaving these areas. The FSB has been quite effective at exposing groups planning terrorist activities, and the development of more extensive terrorist groups is unlikely because of the effective security apparatus. The lack of trust and fear of members of the special forces infiltrating hampers cooperation between and recruitment by terrorist groups. However, “lone-wolf” operations or actions by small groups pose a major challenge to the authorities. Soft targets, such as public transport and shopping centres, are more tempting targets for terrorists than closely guarded major events, for example.

The Russian authorities have been constantly developing methods of preventing the spread of jihadist material over the internet. However, Islamic State has extensive and effective propaganda material in the Russian language, and it is generally estimated that new strikes inspired by Islamic State propaganda are likely.

Ordinary internet users no longer easily come across material promoting terrorism, but more technically advanced users still know how to find such material. Mainstream news of terrorist attacks by Islamic State can also serve as an example. The term “Islamisation of radicalism” refers to the fact that Islamic jihadism also serves as a model for generally rebellious young people with “violent nihilistic” tendencies, for whom it provides a model and a label for their actions.¹³⁴ Therefore, these individual terrorists cannot necessarily be profiled in advance on the basis of religious fundamentalism.

132 Leiken 2011.

133 Eraliev 2018.

134 Roy 2017.

5. Conclusions

The authoritarian development and one-sided economy in Russia reduce the freedom of choice available to the country. The authoritarian system is based on a very president-centric structure where the government is not politically answerable to parliament; nor does it consist of a group of professionals who share the same goals or views regarding development of the administration. Therefore, the president is personally in charge, which increases the importance of the elite surrounding him. The current Constitution of the Russian Federation prescribes that President Putin's fourth term in office ends in 2024, but it is uncertain how his successor will be chosen. It is possible that the process of transferring power will already begin before 2024.

Politically, Russian society is still very poorly organised. Instead of open political contest, the operating policies are currently drawn up e.g. in the Security Council of Russia, headed by the president. The importance of its activities is an indication of the extent and growing importance of security thinking. When policies change, extensive and well-coordinated implementation in cooperation between different central government and regional organisations is often challenging.

The decreasing popularity of President Putin is problematic from the point of legitimacy of governance for the very reason that administration has increasingly relied on Putin's strong position. No practical alternative for the current authoritarian governance is on the horizon, and short-term political shocks are not likely, albeit that they cannot be totally excluded. The growing dissatisfaction of citizens and their readiness for change have been demonstrated.

Russia's leaders are trying to draw a picture of Russia as having special status, but generating this identity cannot compensate for the citizens' everyday problems. Patriotic rhetoric from the Kremlin typically portrays Russia as morally superior to the West. State-run television has been powerfully modifying the atmosphere in society, but the increased role of the internet and the fact that younger people watch less television pose increasing challenges for state propaganda. This atmosphere is conveyed e.g. via television and other media. It may eventually affect the Russian people's mental image of their neighbouring countries.

The intensifying control of the Kremlin over e.g. the communication space and civil society is taking Russia in an increasingly isolated and authoritarian direction. On the other hand, the possibilities for influence that the internet offers, as well as different types of grassroots non-political activism, can serve as the basis for new types of civic movements.

Russia is a society with a low level of trust. People are dissatisfied with economic inequality and do not trust institutions. They also feel that the difference between the rich and the poor has increased in recent years. The birth rate increased in 2000–2013, but the most recent figures again indicate a significant decrease now that the millennial age cohort has started having families. The low life expectancy for men is a particular characteristic of demographic development in Russia. No significant improvement has occurred in that respect.

Russia has invested resources in family policy and increasing the birth rate. Extensive reforms have been carried out in the protection of children, where the aim is to dismantle institutions and increase the use of foster care. Demographic data shows that the mortality rate is growing rapidly and the birth rate is low. The situation has changed slightly thanks to the social policy observed during Putin's second term in office. However, at the same time, the state has increasingly delegated its welfare policy duties to NGOs, among others. The population collapse has been partly compensated for through immigration, partly from poorer ex-Soviet republics. In spite of a number of legislative and administrative reforms, Russia's immigration policy still appears to be based on widespread acceptance of the informal economy. This has negative effects on the development of the rule of law and looking after the interests of society.

In Russia, people are actively turning to the judicial system, and there are many cases being processed in arbitration courts, for example. There has been some change in legal thinking towards emphasising sovereignty or the right to self-determination in the application of international law. Transformation of the legal system can still be considered incomplete, and there is plenty of scope for improvement in the predictability of its operation. For example, in the field of criminal law, this is a question of the roles and relations between different parties, their professional competences and ethics, which all reflect the values and methods of the society.

Regarding immigration, reforms were implemented in 2015 to legalise the status of employees from countries that do not require visas and to simplify the immigration process. The situation continues to be somewhat confusing. Obtaining permits is arduous and expensive, running a business is difficult, and in particular the large number of workers from Central Asia who have no employment contracts is one of the factors maintaining the shadow economy. However, factors affecting the immigration situation will remain unchanged in the near future, because the country needs cheap labour.

The prerequisites for economic growth are not good. The main reasons for this are insufficient investments and the decreasing labour force. However, the basic outlook for economic growth is not particularly critical for Russia's stability in the next few years, because the economy is forecast to grow, albeit slowly. On the other hand, the economy is still relatively sensitive to changes in the world market prices of commodities that Russia exports, and a marked drop in oil prices would cause an economic recession. Russia could manage for a few years, above all thanks to the funds in the sovereign reserve fund and the fact that there is scope for increasing state debt.

The 10% decrease in consumption – and thus also in living standards – during the 2015 recession and the slow recovery has weakened the social contract of the 2000s between the people and Russia's leadership. The contract has held for the time being, which is largely explained by the fact that most Russians remember the bleak times of the 1990s, and even more of them remember the times of the 2000s, which were also considerably worse than today. In addition to many other events in the lives of citizens, unpopular economic reforms may reduce the popularity of Russia's leaders. A dissatisfied populace is an

unstable combination of various factors where an accumulation of issues could even rapidly swing citizens' attitudes towards the negative.

Those in power in Russia are seeking to allocate more funds to education, healthcare and infrastructure. However, these investments are insufficient in international comparison. Increased private investment and improved productivity would require economic reforms that are market-positive and aimed at reliable regulation of businesses. They should reduce interference by the people in power in the operations of companies, improve the activities of public authorities and make them more predictable, and transform Russia's trade and investment policies towards increased openness. However, there are no signs of that happening. The symbiotic relationships between Russia's rulers, authorities and businesses and the benefits gained are preventing reforms. Russia's leadership does not provide any credible, wider horizons for economic development and growth.

Cooperation between Finland and Russia is based on various treaties and other cooperation plans. In the area of practical crime prevention across borders, Finland has been among the pioneers of this cooperation on the basis of a 1994 agreement on cooperation for the prevention of crime. Cooperation is particularly important for preventing serious crime and in the field of immigration. However, Russia's activities have shown that a breach of the earlier good cooperation is also one of the methods of influence that it would use if it feels the need to pressurise or confuse Finland politically. An example of this is Russia's decision to let people pass the border without a Schengen visa in 2015–2016. Such cooperation can only be developed if there is high-level political commitment to do so.

There are actors in the Russian administrative system who have considerable interest in utilising Finnish solutions in their own fields of operation to improve the living conditions of their citizens within the constraints of the current policy. This aim and, in general, Russia's constructive participation in cooperation across regional borders implemented in Baltic Sea, Arctic and EU frameworks may promote the goals of Finland's stability policy in Northern Europe, and thus support Finland's security. All this, though, is finally subordinate to the geopolitical calculations of the Kremlin.

The current situation in Russia's domestic policy does not indicate that there will be any major changes concerning Finland. Major economic or political shocks or natural disasters could lead to the situations described above at the border between Finland and Russia, or increase the number of asylum-seekers coming to Finland. Trade between Finland and Russia is no longer hugely significant for the whole of the Finnish economy, which is why fluctuations in that trade have a relatively small impact on Finland. The authoritarian system in Russia has many direct and indirect impacts on Finland: the unpredictability, corruption and possibility of arbitrary action hamper all kinds of cooperation with Russia, both at the official level and at the level of individual citizens and companies. The challenges in developing cooperation between Finnish and Russian authorities include the variation of trust between institutions, obstacles due to differences in national legislation, and the issue of long-term commitment by top political leaders.

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RUSSIA'S FUTURES: DRIVERS FOR CHANGE

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1. Starting points for foresight

This last section of the report reviews the effects of possible future scenarios on Russia's own security and the security of its neighbours. This section utilises assessments made in the previous sections as sources and supplements them. It also contributes to the discussion regarding the significance of changes occurring in Russia for Finland and the development of European security. The period under review begins in the near future and continues to the 2040s.

The review starts with global trends (i.e. recognised developments affecting many countries and societies in the world) and their relation to development in Russia and the country's international position. This trend analysis is supplemented by identifying weak signals, i.e. minor phenomena and events that, if repeated and extended, may significantly affect developments. The review concludes by creating four different future scenarios. None of them individually presents a comprehensive view of Russia's development opportunities; taken together, however, they provide a stronger framework for review. The purpose of these future scenarios and their assessment is to provide tools for discussing developments in Russia and their impact on Finland.

In this study, "foresight" means a systematic and goal-oriented examination of the relationships between the past, the present and the future. The change in international order and societies is the sum of several factors. Historically, the main variable has been technological development, which directly and indirectly affects economic structures and thus also the societal and political development. Major external events, such as natural disasters or wars, can also trigger extensive changes affecting all of society. Attitudes¹ can also change quite quickly and values² may gradually change due to the impact of the above factors, but that will not necessarily happen. The gradual change of values has a guiding effect on other areas. Signs of such changes must be identified in order to ensure the success of long-term development for all societies and all actors.

The operating environment is currently undergoing a phase of complex transformation in which phenomena that challenge people's interpretations are constantly taking place. A global technological and economic transformation is underway, and political solutions are also being sought to manage it. As people have realised that there are limits to what the environment can withstand and that current ways of life are not sustainable, there are signs of change in the values. The current era of fast – even radical – change challenges people to analyse the future more broadly than merely by predicting possible courses of events and producing strategies based on the most likely one. Some phenomena and im-

1 Attitudes are people's tendency to approve of or oppose a certain state of affairs, issue or person, and they are more limited concepts than values.

2 Social values are ideas held by an individual or group of what they consider welcome, and they affect the choice of goals and methods. Values change constantly, but slowly, and are always linked to the social status and practical historical situation of the individual.

pacts that will inevitably be faced in the future are therefore left outside the analysis of identified development paths.

The changing operating environment encourages us to utilise different possible futures as tools, i.e. to take a critical view regarding these possible futures, and to identify the assumptions behind them and put them into different contexts. The possible futures created in this work for Russia are not forecasts presented in order of probability. These possible future scenarios are intended as perspectives for discussion of Russia's development outlook and its impacts on the operating environment. The future of Russia is likely to involve elements of several of the possible futures outlined here, including factors not discussed in this section.

2. Global megatrends associated with Russia and estimates of their impacts

Russia defines its position in relation to global trends in much the same manner as Western countries. For example, Russia's strategy for scientific and technical development states that threats to national security are complex and have significant interdependencies. This strategy pays particular attention to the following global challenges:

- New technologies changing labour productivity and the global economy
- The ageing population and pandemics
- Sustainability, climate change and exhausting natural reserves
- Food safety
- Global competition for human resources
- Changing global and regional energy systems.³

Russia and its government define the tools for managing the futures from their own perspective. Challenges stemming from global megatrends reflecting the opinions and worldview of the Russian government have been analysed, e.g. in a series of articles produced by the Russian International Affairs Council (RIAC). These articles forecast developments during the next hundred years. The length of the review periods is justified by the large ranges of variation in the rates at which technologies, institutions and social processes change, and with the objective of modifying the reader's views of the present so that the preferred future would be possible. These reports seek to describe the problems and the dilemmas they cause for decision-making, but they do not discuss any practical political solutions.⁴

3 Presidential decree of the Russian Federation of December 1, 2016, No. 642; see also IMEMO, 2016.

4 Ivanov and Kortunov, 2016.

In general, the authors of the reports believe that globalisation will strengthen and the global economic, trade and information ties will become stronger. According to them, global problems require global institutions to manage them and moderate the competition between countries, but the imbalance in the world order results in conflicts between leading global players. Russia has a need to influence the global development with its own view of the world and with the way it manages international relations. Russia must solve its own problems within the constraints of global problems. The strong state, understanding its own starting points, military power and collaboration with the world's major centres of power ("great powers") are seen as key to solving these complex problems. It is noteworthy that in these articles the potential for large environmental disaster or collapse, and the methods to prevent it receive less attention in the analysis. Climate change is mainly seen as a factor driving the transformation of the energy market and opening Arctic natural resources for exploitation. The need for cooperation in the international operating environment is stressed, but the reports view it primarily as an issue between great powers. Reviewing the world's economic, political, security and social development outlook creates a picture of complex and difficult problems, but ones which can still be managed.⁵

As the **first** key factor, the articles raise the possibility of Russia building a diverse information economy and achieving a high technological level in agriculture, in exploiting natural resources, as well as in further processing and machine-building industries. Freeing societal structures to produce new ideas and added value is a key success factor. On one hand, a top-down innovation structure is doomed to always result in the role of pursuer, which can at times be alleviated by favourable trends in energy markets. However, a strong state is considered to be a necessary support for this liberated society in order to prevent it from sliding into anarchy.⁶

The **second** key factor examines the possibility of the Russian political system responding to the new economic paradigm and the external and social changes, and creating a representative political system providing feedback. According to the authors, political systems grow from individual national goals, problems and confrontations. For the purpose of analysis, Russia's political system cannot be regarded as either simply democratic or simply authoritarian. Calcifying the system into an unchanging edifice and depending on the institution of leader are considered particularly risky propositions in a diverse and complex agglomeration such as Russia. The revolutions during the previous century in Russia are widely seen as a consequence of ill-timed political reforms. The stability offered by centralised control and the political reforms required to make changes in society are in conflict. In the future, Russia's government will have to solve this conflict, which is made more difficult by the accelerating change in society.⁷

5 Ivanov and Kortunov, 7–12, 366.

6 Ibid. 13–14, 365–366.

7 Ibid. 13–14.

The **third** key factor highlights the vulnerability of Russia's federal structure. This vulnerability stems from having a multitude of nationalities and religions, and the different economic bases that those regions have. Disintegration of the country is seen as a significant and relevant threat, both to society and the political elite. The federal structure has so far managed to strike a reasonable balance between centralised administration and the regions of the Russian Federation, but it is not clear that this balance can be maintained. As economic resources contract, one option is to give the regions more responsibility for their own development. Such political independence, which will increase with broader responsibilities, would weaken central government's control. Regulation of the division of power is a conflicting issue for Russia's political leadership, as is making changes to the political system in general.⁸

The **fourth** factor discusses the international operating environment. Uprisings and wars during the 20th century that threatened the existence of states and carried the risk of nuclear war are widely attributed to intense political competition. The world order is still seeking a new form following the end of the Cold War, and the continuation of a chaotic era of change is considered to be the most likely scenario. Restraints on the use of military power by great powers and other loci of power in the world are not considered sufficient, and local conflicts have the potential to expand into broader confrontations. The potential for conflict combined with arsenals of nuclear weapons and new types of weapons is dangerous. Russia is facing a contradictory situation where it is necessary to integrate into a globalising world, but this must be balanced against security needs to prevent military and non-military challenges. Finally, it can be stated that all key actors in the world have similar problems, and the ability to cooperate is a critical question – for Russia and for the rest of the world.⁹

8 Ibid. 13–14.

9 Ibid. 13–14

Impacts of global megatrends on Russia's potential futures from the Finnish perspective

In the foresight work for the Russia of Power project, the factors affecting the development of Russia associated with global trends were identified.¹⁰ The experts participating in the project wanted to emphasise the most important trends and change factors among them as follows.¹¹

The **political** dimension – Poor general state of law and order (corruption, poor governance, weak institutions, crime) and the increased importance of the country's leader are strongly steering the development of other dimensions. Corruption is an income distribution mechanism that reaches across society, the current elite and governance. Organised crime is associated with corruption, and thus influences the use of public power. The security services have a role that is in actuality more extensive than their stipulated areas of responsibility in the political system. Many individuals in the government and the elite have intelligence or security service backgrounds.¹² Therefore, security aspects are given much weight in decision-making. The legitimacy of Russian governance relies on the president's persona more than it has in the past. The current leadership of Russia has no real motivation to attempt to control the interconnections between corruption, organised crime, oligarchs and administration.

The **economic** dimension – The dependence of the Russian economy on energy and energy exports, as well as the possibilities for developing its structures, do not suggest that there will be any significant economic growth in forecasts that extend to the 2040s. This situation results in pressure to actively develop the country's economy and to strengthen its influence in key energy production areas (the Middle East), in areas with unutilised energy resources (the Arctic) and in market areas. The energy transformation (i.e. the transition from fossil fuels to renewable energy) is a serious challenge for Russia's economy. Fluctuations in the global energy markets are already causing a constant need to adapt the economy. In addition to these factors, which are mainly independent of Russia, the challenges are increased by the need to maintain and develop transport infrastructure and housing stock, which is very extensive, given the country's resources. This is evidenced in practice by the fact that investments made outside the energy sector are concentrated in major cities and in logistical infrastructure between them as well as infrastructure support-

10 The PESTE method was adapted to classify and identify variables for the future scenarios and to create a narrative. In general, this analysis looks at the political (P), economic (E), social (S), technological (T) and ecological/environmental (E) development. In this case, the PESTE analysis was supplemented by analysing international, military and information aspects as well.

11 Twenty-eight researchers and civil servants from different fields participated in the foresight workshops for the project.

12 See also Gudkov, 2011, 33.

ing international trade. Elements of the housing stock and transport infrastructure outside these areas are decaying.

The **social** dimension – Russians maintain a mental image that the country has special status, which stems from the legacy of Russia being the largest Soviet nation inheriting the status of a great power. During the Soviet era, that image was enhanced by isolating the population from the world around them. The identity as a great power and Russia's social conservatism, as well as threats from external sources, are currently affecting the general Russian worldview and creating internal cohesion. There has been no significant change in the attitudes of the population since the collapse of the Soviet Union, even in the younger generation. The current government, which came into power in the 2000s, is still strengthening the mechanisms for keeping the values and behaviour of the majority unchanged.¹³

Generally, the majority of population are dissatisfied with the current state of affairs, and the government is dealing with this issue by redistributing income to alleviate the most pressing problems, and by redirecting the attention of the people away from their grievances and problems. The key tools of governance include education and upbringing, social movements and campaigns, as well as propaganda and control of the information space that supplements and enhances (TV, the internet, social media). When the above measures do not suffice, force is used.

The ageing of Russia's population and external migration pressure from the conflict zone in the south make it necessary to adapt to the gradual changes in the country's population. Solving the need for labour by means including unofficial immigration enhances the culture of "securitization". This leads to a situation where there is a large number of individuals without proper documentation, and the unofficial social structures established to provide them with services creates a feeling of insecurity and erodes general trust in the government.

The **technological** level – Russia generally lags behind Western countries in technological development, and is also falling behind rapidly developing Asian countries. For the time being, the situation means that the country must constantly adapt and work in cooperation. Russia's lagging behind in new and developing energy technologies may even result in a major need to adapt, as the transformation in energy supply and usage is progressing in spite of the country's extensive hydrocarbon resources and expertise in nuclear power.

The **international** dimension – Russia is a regionally fundamental and globally important player with strong expertise in many areas, including utilising a broad range of measures to promote its interests in international politics. Russia also has a need for cooperation. Its

13 See also Gessen, 2018, the sociological theories of Juri Levada and Lev Gudkov regarding survival of the Soviet man as a social type and the associated decline in the standard of education, culture and ethics. (pp. 70–75); Gudkov's assessment of the inability of the government to develop and the need for the population's sufficient lack of activity, its resource is the citizen pacified over the centuries (pp. 301–302).

influential status in international global¹⁴ and regional institutions and its military creates the potential to adapt to its operating environment.

No visible changes are occurring in the great importance of Russia's armed forces – both conventional and strategic (nuclear weapons). The security services and corruption as well as the organised crime associated with them are also part of Russia's undeclared international dimension.¹⁵ Russia also has the ability and prerequisites to adapt to the proliferation of nuclear weapons.

The **environmental** dimension – climate change and pollution are resulting in a strong need for adaptation. These risks are particularly prevalent in agriculture in the extensive cultivated areas in the southern parts of the country. The vast and diverse territory of Russia, spanning several climate zones, and the country's array of natural resources also provide opportunities for adaptation. The limited public debate regarding adaptation measures and the lack of programmes to take action increase the risks caused by climate change.

The **military** dimension – Success in military reforms in this decade will create potential for adaptation in the 2020s. The armed forces and their improved status among the public are also helping to maintain social cohesion. There are constraints on defence resources and on the ability to develop and utilise related technologies, which have a particular impact on great power competition. Russia's space capabilities are currently competitive in certain areas, such as the ability to launch satellites and satellite navigation, but opportunities for long-term development of such technologies lag behind those of other great powers. Space capabilities are increasingly important for the military balance between great powers, and there is a significant need for cooperation.

The **information** dimension – the country has to adapt and cooperate due to the constraints that exist on developing and producing technologies. There is generally strong competence in utilising and managing information, but the technology that underlies it is not at the level of Western countries or advanced Asian countries, which is why cooperation is required.

14 Particularly the United Nations Security Council.

15 See also Galeotti, 2016.

2.1 Observations of the impacts of global megatrends

Russia has an extensive land territory spanning several climate zones, abundant natural resources, and transport and industry infrastructure in which the productive elements are well maintained and developed. The population and skills base is probably also sufficient to maintain the current level of society, economy and technology. These factors provide possibilities for coping with the problems and individual strategic shocks caused by global trends, such as natural disasters, refugees and changes in the energy market.

Based on these trends, it currently seems unlikely that there would be rapid and comprehensive changes in Russia's internal situation. Russia's current situation matches the general outlook for change of an industrialised, highly modernised and urbanising society. The fact that rural areas have been left behind in development results in challenges, but developing these areas is not necessarily even viewed as necessary. The ageing population, development of technology and the changing state of the environment mean that the economy and social structures will have to adapt to changes sooner or later. However, there are also possibilities for rapid change associated with the amplification of several negative trends and with the combined impact of various external or internal shocks.

The steep inequality in Russia and the fact that ordinary citizens have little to no political influence engender and maintain social tensions, as does the lack of trust in the government and its ability to promote economic and social development within the country. The government and administration are in close contact with the security authorities, and problems can be managed using a large security force and other authorities and authorisations.¹⁶ However, if several disasters were to occur nearly simultaneously or in the same location, or if there were an external crisis, the resulting pressures could exceed the government's ability to control the situation, leading to unpredictable consequences.

In light of the current developments, Russia's international status is likely to generally weaken. Russia is no longer a rapidly growing economy. In general, there are large differences between the economies of European countries and that of Russia, and Russia is on the weaker side. The current trends indicate that the difference will remain the same, or may slightly decrease. Among other things, Russia compensates for its weaker economic position by developing its military power and using it as part a range of measures to promote its interests. Russia's international status may also relatively strengthen if there is a combination of trends that negatively affect other great powers or power centres, or if they face a major disaster.

3. Weak signals in Russia's development

In this report, “weak signals” are phenomena and events that, according to our current understanding, are individually quite insignificant in terms of development, but that, if repeated and extended, could significantly affect it. They can be called the first expressions of change. When weak signals are first raised, they often challenge the existing understanding, but if they have the potential to question earlier views, they are nevertheless significant as phenomena that need to be monitored.

Weak signals related to the development of Russian society

Weak signals from different sources and areas all seem to have one aspect in common: in spite of the apparent stability of the government's position, there is political dissatisfaction brewing at many levels of society, and the root causes cannot be eliminated by exerting pressure.¹⁷

It is noteworthy that the values conservatism that the government promotes is becoming mixed with other types of value choices made by young people. Choices that diverge from traditional Russian culture (such as vegetarianism or identifying with Western popular culture) can still, for example, be combined with a strongly negative attitude towards sexual minorities. Young Russians are also performing actual volunteer work, not just pretending to do so under government control. Young people clearly have a cynical view of the government's ability to resolve social problems. Social self-organisation is significant e.g. in connection with disasters, such as floods or forest fires.

Popular feeling is monitored nationwide in Russia, but there are also local surveys of opinions in Russia's regions. People are protesting, but this does not necessarily mean that they are trying to change the government politically; rather, they seek only to correct the specific grievances they have. The steadfast attitude of the government when initiating the pension reform in 2018 was noteworthy, because the government did not appear to recognise the effects in advance. The government put aside the usual careful approach in handling the public and put an immediate stop to the demonstrations. Unlike his previous behaviour, President Putin did not seek to place himself above social criticism when he supported the reform. His intervention reduced the public willingness to demonstrate, but he also lost support.¹⁸ It seems that the Russian government can pass, at its discretion, any reforms that are required to maintain the balance in the economy. However, managing the risks stemming from unpopular reforms is difficult and increases the possibility that there will be more demonstrations. When force is used against parts of the population that oth-

17 See also Ledeneva, 2013, 235–236.

18 As a reaction to the pension reform announced in 2018, half of the population expressed a willingness to demonstrate against it, but after President Putin pleaded for the reform to be implemented, the number of people willing to demonstrate dropped to one third. Support for the president decreased correspondingly.

erwise support the government, it prevents demonstrations. However, the use of violence decreases support for the government among the public.

Russia has a key strategic objective of protecting infrastructure that it has defined as critical. This includes being able to isolate the Russian part of the internet from the rest of the global network to any degree and at any time. This is associated with the fact that the management and security of the network infrastructure within the country's borders is being systematically developed. The Russian government is seeking the required skills and competence in security and risk management for the internet in China, but the two countries have different goals, operating cultures and resources. While it is possible to implement the technical means to isolate Russia from the broader internet, the impact on the country's economy and production, and on people's ability to access information are not much raised in the public debate.

Weak signals related to managing external relations

Analysing weak signals that may portend a change in the intensity and permanence of anti-Western attitudes and actions in Russia is essential from Finland's perspective. Anti-Western sentiment leads to general instability in relations between states, but the level of this sentiment varies: At the beginning of the 1990s, the general attitude towards the West was very positive, whereas the deterioration of relations due to the conflict in Ukraine meant that sentiment became much more negative. There was another peak in positive attitudes after the FIFA World Cup took place in Russia in 2018.

The actions and statements of the Russian government also express a desire to reverse its isolation from Europe, which was accelerated by the conflict in Ukraine; however, the conditions imposed on both sides for cooperation do not permit any progress in that respect for the time being. The coercive methods used by Russia that violate the sovereignty of other countries so far do not encourage others to enter into closer cooperation with Russia.

The visible actions by the Russian security services in 2018 have created a public image of the limits of their competence and of the fact that the government steering them totally ignores the sovereignty of target countries. Both these factors reduce willingness to cooperate with Russia. The assassination in Great Britain, identified as carried out by Russia, or the attempt to steal information from an international institution challenge the sovereignty and administrative capabilities of the countries affected. It can be assumed that the assassination was intended to send a message to Russia's own security services, but that does not reduce the negative effect on the country's external relations.

Sweden's and Finland's partnerships with NATO and their bilateral security relations are, in Russian security thinking, seen as a potential military threat to Russia. This became evident when the Russian Minister of Defence made a public assessment of the military

security of Russia in August 2018.¹⁹ The address did not include any new factors regarding the Russian opinion of threats from Finland, but the weight of the assessment was increased by the fact that it was presented by the Minister of Defence. The previous message more widely noticed in Finland was presented by the then Chief of the General Staff at the beginning of the decade.²⁰ The importance of the threat assessment in the address by the Minister of Defence was played down in official comments and public debate in Finland, although it questions the basis and strength of Finland's relations with Russia. The current Minister of Defence has plenty of influence in the Russian government, and President Putin has not publicly commented on his view of these threats, as he did for example regarding Israel when a Russian reconnaissance plane was shot down over Syria in autumn 2018.

No new topics, content or methods have been identified in information influencing activities by the Russian government regarding Western countries after the activities in 2014–2016, which attracted much public attention. Russia's information influencing activities continue for the time being, and the reasons why its content and methods have not changed are a concern for Western countries.

Russia has usually reacted very strongly to any changes in power in the post-Soviet space. In extreme cases, it went to war and modified its own national security threats to suit the course of those changes in power. However, the change of power in Armenia in 2018 resulted in only very mild responses in Russian public debate. The threats to Armenia's security expressed by Russia have not changed and the conflicts in neighbouring regions have not been settled, so it is likely that the change of power will not challenge the basis of relations between Russia and Armenia or Russia's influence in the region. However, the event is worth analysing as a change to the usual model of operations.

As a country and nation, Finland positions itself outside the sphere of Russian language and culture as well as the geographical area that comprised the former Soviet Union. However, Russia pays attention to Finland and tries to influence Finland's international image and actions, as well as its economic decision-making. These attempts are continuous and repeatedly include new approaches, in spite of Finland's relatively small status in international and regional politics.

Weak signals related to economy

Private investments make up only a very small proportion of investments in the Russian economy. If this situation persists, economic growth will possibly be weaker than the current long-term estimates of approximately 1.5%. In order to finance the programmes and economic projects specified at President Putin's inauguration in 2018, raising additional revenue through increased corporate income tax was suggested. Due to strong opposition

19 Shoigu, 2018.

20 Makarov, 2012.

from Russian industry, this has so far not been done, but the government still needs to encourage companies to invest in the areas it has specified.

The Russian economy has recovered very slowly since 2016, in spite of the substantial increase in oil prices. The increasing sanctions imposed by the USA have significantly decreased the value of the rouble, and it has not strengthened with increasing oil prices, as used to be the case. The weak rouble reduces possibilities for imports and creates inflationary pressure. The rapid decline in consumption during the economic recession that started in 2014 has not yet affected the president's popularity, unlike the increase in the retirement age announced in 2018. Russia still has a large reserve fund collected from oil revenues, and it can be used to overcome brief periods of economic downturn without any disasters.

Weak signals related to military

The strategic documents concerning Russian military policy have confirmed the mobilisation principle concerning both the economy and the formation of military forces. Here, "mobilisation" (mobilizatsiya) refers to the state's centralised management for preparing the economy and power structures for possible military aggression.²¹ The importance of mobilisation in producing combat power is in the current and future character of war, which is being driven by rapid technological developments generally assessed to be marginal and supplementary. Reforms in the Russian military have made it possible to increase the number of high-readiness troops and facilitate mobility of troops within Russia. The implementation, development possibilities and needs of Russia's mobilisation are not clear from the point of Western societies and their prevailing military thinking, but it is obvious that mobilisation is being further developed in Russian military thinking and in the way it organises its activities. One factor affecting the development of mobilisation is to prepare for weakening of the state and to maintain a mechanism that allows economic resources and citizens to be allocated to overcoming crises and to warfare. In military terms, mobilisation produces resilience and capability for long-term combat in low-intensity conflicts. From society's point of view, mobilisation and its implementation maintain the linkage between society and the armed forces and strengthen social cohesion.

The economic mobilisation mechanism can quickly allocate resources to activities selected by the government. Additional funding is required to implement the programmes and projects announced at President Putin's inauguration on 7 May 2018. This additional funding will be just over 1% of GDP per year up to the end of his term in office in 2024. The budget is adjusted and implemented by steering companies' investments into these projects. When required, defence spending can be increased – even significantly – for example, by various actions concerning the state budget. Tax revenues can be slightly increased,

21 Cooper, 2016, 2. Monaghan, 2016, 7-14.

the budget can be slightly less balanced, and other expenditures can be cut. Increasing defence spending by 20%, for example, would currently correspond to just over 0.5% of GDP.

Private military companies have become part of Russia's use of military power with the conflicts in Ukraine and Syria. There are earlier examples of similar activities in the form of mercenaries or covert operations by the security and intelligence services in conflicts. Different security companies have also had more limited roles in conflict areas. The direct connection between private military companies (i.e. non-governmental military forces) and the use of armed forces by the state is a new feature in Russian military methods. These companies do not have any role as independent actors in warfare; in order to operate, they need at least a covert mandate from the government, as well as the logistical support of local clients and the government. These companies are also useful in cyberspace, where they can be used in influencing activities as actors putatively separate from the government, thus helping to obscure the government's involvement.

The Russian defence administration and armed forces have put a lot of effort into publicity campaigns to highlight their modern warfare capabilities and their rapid development due to their involvement in the conflict in Syria. The underlying reason for this publicity is the considerable defeats and failures suffered by Russian armed forces in combat during the past two decades; the intention is to show that the problems with materiel and skills (as well as the oft-cited problems of reforms stalling at the start) have been overcome and that the armed forces can fight successfully on the modern battlefield. Another military factor underlying this is to draw attention away from the war being waged in Ukraine – a war that is not officially recognised by Russia. Correspondingly, the Russian authorities are drawing attention away from the devastation of the local civilian population and its living conditions in Syria by actively communicating the success of strikes at the enemy, who are described as terrorists. How the capabilities and skills of the armed forces have developed in reality is open to question, given the extensive damage to infrastructure, civilian casualties and combat losses suffered by Russia's allies, under the shadows of the information campaign.

4. Russia's futures

The following section describes four different futures for Russia. Each vision of the future²² represents the parallel materialisation of factors important for Russia's development. These visions of the future differ in terms of the level of power and capacity of the Russian state and the goals or threats that it defines. Russia's capacities are assessed in relation to internal and external developments.

In other words, the changes, trends and events described here could be either negative or positive for Russia. Although extreme sequences of events, such as fragmentation of the state, are the most unlikely ones, they are nevertheless possible and warrant analysis.

4.1 Continuation of current trends: Russia seeks to regain great power status, challenges its Western competitors and adapts to the cooperation required in the prevailing situation

For Russia's current development path to continue, the transition of power at the end of President Putin's current term in office in 2024 would need to succeed in a manner that protects the status and interests of the current regime. In practice, the handover of power will take place behind closed doors, and any power struggles will be obscured. The elite who control state-owned companies and their cash flows will further solidify their status. The elite will be able to sustain the approval of citizens by directly affecting living standards through regulating energy prices as well as directing funding to key areas and redistribution of income. Russia will exploit tensions between other great powers to pursue its own extensive interests. Russia will seek to impose constraints on Western nations and their capabilities through means both open and covert that exploit their weaknesses.

22 No specific chain of events leading from the present to any of these future scenarios has been defined in this report.

Main features of the continuation of current trends:

Internal situation	<p>The quality of governance and social services is poor and their development modest outside major cities.</p> <p>The political elite have a sufficiently strong position, and coercive measures are not directed at the majority of citizens. Society and citizens do not challenge the system of governance, and internal struggles within the elite remain within manageable limits.</p>
Economy	<p>No new growth is developed for the economy outside the energy sector, and oil prices remain at a level that maintains economic growth (over USD 50). Over the long term, the economy grows at approximately 1.5% a year.</p> <p>Russia's regional dominance remains at the current level, and its cooperation in Asia does not produce any significant added value, but does develop at the political level.</p>
External relations	<p>The perceived national security threats remain unchanged, and neighbouring areas remain the focus of its aspirations.</p> <p>Russia's influence is sufficient to curb security cooperation between neighbouring countries and other great powers.</p> <p>The resources are sufficient for implementing a foreign policy that takes initiatives and for challenging the Western countries globally in areas chosen by Russia.</p>
Military security	<p>Strategic deterrent and conventional military forces gradually develop.</p> <p>Military force is sufficient to maintain the balance of power between great powers and to manage local conflicts in the immediate neighbourhood.</p> <p>Strategic interests can be pursued by limited intervention in specific areas (Middle East, Africa).</p>

Poor demographic development in the country and the falling working-age population will create pressure to reform the pension system and labour migration, as well as hindering Russia's pursuit of great power status. Russia has already started to react to this by starting the process of gradually increasing the retirement age.

Society is likely to stand behind even a government incapable of reform. Centrally managed methods of governance and the position of the security authorities will strengthen. However, the authorities will not be able to completely prevent societal and political activities taking place e.g. via social media. This will enhance "micro-level" civil society in Russia, organised to address local or individual grievances. At the same time, the third sector of society (NGOs and other actors in civil society) will not have much room to manoeuvre. Russia's "foreign agent law" and equivalent actions will effectively limit the operations of organisations considered harmful by the state and the elite. Military force will retain a role in maintaining the balance and mutual trust in society, as it will remain an important actor and employer in underdeveloped areas, helping to maintain the state's capabilities.

Slow but steady economic growth will maintain a surplus in the state budget and prevent the current buffer reserve from being exhausted – and may even allow it to be gradually increased. The strong dependence on the development of world market prices of oil will continue, forcing the economy to adapt at times. Russia has little external debt and large foreign currency reserves, which protect it against short-term market fluctuations of 1–3 years' duration. The political risks limiting business operations will not disappear, which will make entrepreneurship a less attractive proposition for Russians. State institu-

tions will reform at a slow pace, if at all, which will slow down overall development in Russia. If the current trend continues, Russia will be able to compete with the world's leading countries in certain key areas of military technology, such as missile technologies.

According to current forecasts, oil and gas price trends will remain sufficient for Russia to be able to finance actions aimed at restoring its position as a great power. Although renewable energy is making up an increasing proportion of total global energy generation, hydrocarbons will maintain their key position until the 2030s. The global consumption of natural gas is expected to increase considerably. Furthermore, economic growth in China will require raw materials, which will maintain the resource economy in Russia and support cooperation between the two countries. However, there will be changes in the global energy market, for which Russia will have to prepare. Most forecasts indicate that liquefied natural gas will increase its share of the energy market, in which case high-volume imports from North America may reduce Europe's dependence on Russian gas pipelines.

The armed forces will remain a functional tool for the government and administration. The morale and capabilities of the armed forces are currently at a much higher level than a decade ago, and they operate in compliance under political guidance, producing the desired effects. Development of the armed forces will continue in keeping with the goals of the current reform programme. A considerable part of the defence resources will keep being used to maintain the strategic nuclear deterrent and for the potential ability to inflict considerable losses on any projection of US forces in Europe. Standoff, precision-guided weaponry capability will be developed, along with a medium-range nuclear missile capability now that the INF Treaty has been suspended, leading to the potential for rapid increases in missile numbers. The capability of Russia's ground forces to intervene and engage in military operations in neighbouring countries will be maintained. The current conflicts in Ukraine and the Middle East will continue, but their intensity will remain at a level that is manageable from the perspective of deploying resources. Russia will avoid any direct armed conflict with other great powers because of the risk it would involve, but will promote its interests even through military means while keeping below the threshold for armed conflict between great powers.

The current trend towards a weakening of the rules-based international order will reduce the possibilities of small countries to influence development paths. The role of power politics in global decision-making will increase, and Russia is promoting a multipolar world order. The current trend indicates that developments in Western societies will not make them substantially stronger or weaker. Russia seeks to influence the decision-making of states and communities through traditional diplomatic means and using covert methods, but these will be well known in Western countries, and their effects will be more easily preventable. Other pressures on Western countries – such as immigration, initiatives to leave the European Union or change its structure, trade wars and climate change – will constantly cause friction in the West.

Potential implications for Finland

Membership of the European Union and its shared resources will protect Finland from Russia's most aggressive pressure, but the differing policies towards Russia of EU member states and internal political fragmentation within the EU may provide Russia with opportunities to strengthen its position. Russia will try to promote that fragmentation in order to gain more room to manoeuvre. Confrontation in Russia–EU relations will continue at least in the 2020s. Finland's current Enhanced Opportunity Partnership with NATO and developing bilateral defence partnerships and defence cooperation within groups of countries are already producing a sufficient deterrent. Such cooperation will maintain the conditions for a military alliance, if a clear need is identified and the required political will exists.

Military force will remain a permanent and important instrument of the state in all Russia's potential futures, and as such an integral part of the relationship between Finland and Russia. Development of the military force and changes in its deployment, capabilities and operations in areas close to Finland will communicate the significance of those interests that Russia considers to be of key importance to the state. Military force will also serve as a channel of communication from Finland to Russia.

For the time being, most of the energy Finland uses is imported from Russia, in addition to which other linkages with the Russian energy sector have a major impact on both the Finnish economy and the development of its energy system. Russia's other impact on the Finnish economy is limited by the fact that Finland's exports of goods and services to Russia only represent about 2% of Finland's GDP.²³ Investments in Russia are still risky due to the unpredictable nature of the business environment and corruption, which makes economic cooperation that much more difficult. Some aspects of Russian business operations will remain politicized, while other aspects do not follow the principles of a market economy in the way that is customary in the West. Creating and maintaining business relationships in the Russian business environment still requires special expertise. Over time, there will also be cultural alienation if, for example, there is less trade and fewer student exchanges, leaving few other incentives besides tourism to study the Russian language and to get to know the culture. It is likely that Russia will interest fewer and fewer Finns in the future.

In spite of Russian influence operations, Finland will probably be able to maintain its pragmatic, yet challenging, bilateral relations with Russia, provided that the current circumstances continue. Russia cooperates in the areas it finds useful, but tries to promote its own interests in bilateral relations at Finland's expense. Although Russia's influence operations are continuous, their intensity is limited by the desire to avoid pushing Finland into a situation where it must choose a military alliance with the West. Russia has resources and prerequisites for strengthening and extending its influence towards Finland, should Russia deem it necessary. This has a deterrent effect on Finland even without any practical coercive actions.

23 The share of Finland's GDP includes the purchases made by Russians in Finland.

4.2 More favourable future: A stronger Russia defines the degree of cooperation with its Western competitors

For Russia, a more favourable outlook would mainly mean an absence of factors that threaten its internal unity, as well as Russia being able to keep up with economic and technological developments, and a genuine possibility to implement initiatives aimed at strengthening its international position. However, Russia still would not have what it takes to rise to the same position as the USA or China as a great power capable of changing the structures of global geopolitics. Rather, Russia is capable of exploiting tensions associated with the change in the world order to pursue its own interests and establish varying degrees of economic cooperation and political consensus with European countries. Russia will seek to further impose constraints on Western countries and their capabilities utilising methods that exploit their weaknesses. However, Russia is not seeking a radical change to the world order. Preserving the international treaty system and operational capabilities of Western countries is necessary to strengthen the Russian economy and counterbalance the growing influence of China. Sino-Russian relations may develop into strategic cooperation that better benefits Russia both politically and economically.

Main features of a more favourable future:

Internal situation	The quality of governance and social services improves from the present, and development in certain areas of society becomes more rapid than today. The political elite retains a strong position, and coercive measures are not directed at the majority population. Society does not challenge the system of governance, and internal struggles within the elite become more moderate.
Economy	Growth is developed for the economy outside the energy sector, and oil prices increase to a level that allows extensive investments by the state (over USD 80). Russia's dominance in the region increases, and its cooperation with Asian nations produces significant added value, both political and economic.
External relations	The perceived national security threats remain unchanged in the background, but they are not raised so much, with the focus being on threats shared with other great powers. Russia's external relations become more predictable. Cooperation between great powers produces added political value, and military influence takes a back seat to economic and political means. The great powers enhance their policies for spheres of influence. Russia is able to persuade its neighbours to commit to Russia politically and economically. Wider participation in solving international problems is possible using more extensive resources.
Military security	The strategic deterrent and conventional military force are more rapidly developed. The role of conventional military force increases compared to strategic weapons. Military force is sufficient to maintain the balance of power, and to manage local and regional conflicts nearby. Russia can promote its interest through interventions and operations taking place simultaneously in several areas (Middle East, Africa, Asia).

The basic pillars of legitimacy of the political system (such as salaries, pensions, services provided by the authorities and decision-making at the local level) will start functioning better and become more open, and citizens' trust in decision-makers and the state will improve. There will be scope for strengthening the institutions essential for the predictable use of power (democratic representation, the judicial system, the media). Internal struggles within government will become more transparent, and changes of political power will not lead to internal or external conflict.

Cross-border migration will become favourable for Russia. Russians who have lived or studied abroad will begin to return to their homeland, bringing fresh ideas and expertise to science and education. The Russian Orthodox church will maintain its ideological role and help to create social cohesion, but at the same time Russia will become more multicultural and other religions will proliferate in Russia, reducing regional tensions. Russians will view the status of the Russian Orthodox Church to be appropriate, and there will be no deep divisions in this regard. Russia will remain a functional multinational state, and will allow other religions to operate freely, increasing trust in religious institutions.

In this more favourable outlook, Russia will succeed in strengthening its economic and political position in the wake of the emerging China. Russia and China will reach agreement on Russia joining the Silk Road megaprojects. The higher price of oil will ensure that services and investments essential for the functioning of the state can be financed, while energy production in Russia diversifies in stages. For example, a new production sector based on mining and processing rare-earth minerals will become a driver of the economy alongside hydrocarbons. Russia is among the few producers in the world in this sector. The structure of the economy will diversify, and the Russian market will become more attractive to the outside world. However, Russia will not become an open economy; instead, the government will assume control of new sectors of industry, exploiting them to maintain its position and increase the personal wealth of its members.

Russia will be able to generally utilise the potential for a new industrial revolution that digitalisation (and especially artificial intelligence and quantum computing) offers for the country's economic development. Foreign investments will increase, the current sanctions will be revoked, and the structure of Russia's exports will diversify. Sanctions will become useful for Russia to the extent that they will help Russian companies create new competencies and find new markets. Russia's goal of achieving digital sovereignty will be largely successful, and Russia will gain the ability to manage digitalisation and the country's technological development in line with its own objectives. Structures independent of Western financial transaction systems will be created between China, India, Russia and Brazil.

The conflicts in Ukraine and Syria will remain low-intensity conflicts in line with Russia's aims. Conflicts of interest between great powers in new conflicts in the Middle East and Africa will be managed, with Russia one of the parties involved. European countries will adapt to the new situation. Russia will feel that its status as a great power has been recognised, and the sphere of influence it is seeking will, in practice, be agreed. Sanctions on Russia will be partly revoked, or their impact will decrease as the Russian economy develops. The capabilities and authority of the armed forces and security authorities will im-

prove with better funding, favourable technological development and increased trust from the public.

The United States and Russia will reach agreement on limits to strategic weapons, freeing Russian resources to strengthen its conventional military and update its weapon systems. Russia will be able to maintain a high-readiness military force capable of rapid deployment. Russia will be able to use military force flexibly to control conflicts and crises, both within its own territory and outside it.

The West's position in international politics and the global economy will weaken. The development of a multipolar world will lead to a situation where spheres of influence return to international politics. In these circumstances, the United States will limit its influence, and possibly also the number of allies it has in Europe. Internal fragmentation within the EU will weaken its external operational capability. The global operational capability of Western countries will weaken and Russia will manage to fill the power vacuum, both within international institutions and in the area it considers to be its own sphere of influence. This will deepen the crisis in liberal democracy and strengthen the trend towards authoritarianism. Western countries will have less ability to control international financial systems, as the significance of the control and regulatory structures that they control will decrease. The international treaty system, NATO and the EU will become more fragmented, reducing their effectiveness.

Potential implications for Finland

A more favourable future for Russia would restrict Finland's freedom in international politics. A fragmented EU and partnership with a weakened NATO would not provide the current added value for Finland's security solutions. Finland's relationship with Russia would become more significant, and there would be more pressure to adapt to its political interests. Finland would be at greater risk of being left alone in its disputes with Russia. Pressure to take Russia's interests into account more in Finland's decision-making would increase, both in its external relations and its internal affairs. If this more favourable situation were to continue for an extended period, there is a risk that Russia's demands would increase. Political and economic arrangements advantageous to Russia would become interests that Russia would seek to defend.

A financially stronger Russia would lead to an increase in mutual investments, and Russia's ability to use financial linkages and cash flows as a lever to gain political advantage would improve. The linkages between the energy systems of the two countries would probably strengthen, potentially slowing the energy transition in Finland. More predictable political decision-making and increased economic growth in Russia would improve Finnish companies' ability to operate there. The business environment would remain corrupt, and operating in it would still require special skills. If Russia were to gain a generally more positive image in Finland and there was an increase in low-level connections (such as business, study and travel), general interest in Russia might increase in Finland.

4.3 Less favourable future Russia isolates itself politically and seeks economic cooperation

A chain of events less favourable one would threaten to visibly reduce Russia's status from that of a great power, which would constitute a significant loss for the government's national legitimacy. Russia's own potential would weaken, and pressure exerted by external actors and the environment would increase. At the same time, there would be pressure to engage in economic cooperation to prevent the country's income flows from collapsing. In line with the idea of a zero-sum game, avoidance of the perceived defeat may drive Russia to try to compensate for its relative weakness with more active operations, particularly in its immediate neighbourhood. Russia would seek to reduce unity between Western countries by taking a different approach towards different countries and by offering financially attractive cooperation opportunities.

Main features of a less favourable future:

Internal situation	The quality of governance and social services weakens from the present, but it is possible to maintain them at the level required to maintain public approval. Leadership weakens, and there is more coercion of various elements of the citizenry. Society challenges the system, and internal struggles within the elite intensify, resulting in visible changes.
Economy	The energy transition progresses more rapidly, and the price level of oil falls (to below USD 50). Russia enters a prolonged economic recession, and no growth sectors are created in the economy outside the energy sector. Russia's dominance in the region weakens, and its Asian cooperation does not produce any significant added value for Russia, but will continue at the political and economic level defined by its partners, particularly China.
External relations	There is pressure to modify the perceived national security threats that Russia faces. Cooperation between great powers does not produce added value, and other great powers become visibly stronger in relation to Russia. The predictability of external relations weakens. Russia's relations with other nations vary greatly and change more rapidly. Getting neighbouring countries to commit to cooperation with Russia requires more use of a variety of coercive methods. Conflicts in neighbouring regions continue, threatening to expand.
Military security	Russia's ability to maintain a strategic deterrent and its defensive capabilities against an attack by another great power become questionable, but the public image of Russia's military capabilities is maintained by stressing the importance of nuclear weapons. Russia's conventional military forces largely remain at the current level. Conflicts in the immediate vicinity are managed by concentrating resources on one conflict at a time. Russia is able to promote its interests through limited intervention in selected areas where it has a local partner and allies (the Middle East).

Uncertainty regarding the handover of political power will increase, and the resulting power struggles will cause lead to weaken and inconsistent government. Corruption will not reduce, despite official anti-corruption programmes. Increased corruption will be more strongly associated with the intertwining of organised crime and the state; high-ranking civil servants, politicians and business executives with criminal backgrounds will be visibly in charge of public procurement, for example.

Internal power struggles within the government may escalate into conflicts or disputes visible to the outside. Increasing socio-economic inequality and the inability of the state to produce social cohesion for the country's citizens will increase distrust of the government. Consequently, the state will increasingly rely on various coercive methods concerning e.g. civil society actors, as well as religious, ethnic and sexual minority groups. The other side of the coin of digital sovereignty is that civil rights will be more severely restricted, which will lead to dissatisfaction in various social groupings. At the same time, the country will fall behind in technological development, and it will become increasingly obvious to people that digitalisation is progressing better in other countries than in Russia.

The most important factors threatening internal stability will be economic and cultural diversification in Russia's regions, which will result in a risk of the country losing its national unity. The government will probably try to counteract this by increasing its coercion of various groups, as well as by increasing subvention in order to gain support. In extreme situations, internal instability could lead to the need for a change in the perceived national security threats and the government immediately defining a threatening external enemy. International politics may become more difficult if Russia abandons international treaties it feels are disadvantageous.

If there is weaker economic and military development, Russia will be under pressure to seek cooperation, but it may also decide to further isolate itself from Western countries. If the West were to present a united front, the opposition to Russia's actions would strengthen and the credibility of the rules-based international order would be restored. China may also start pursuing political and economic projects bypassing Russia, particularly in Central Asia and the Arctic, which would leave Russia without a strong partner. It is essential for Russia's foreign policy goals that it maintains its influence in the post-Soviet space. Besides the increasing influence of China, any success story of a former Soviet republic that took place independently of Russia would also weaken Russia's influence in its neighbouring areas.

Weaker development could be triggered by a crisis in the energy sector and financial chaos resulting from the weakening situation for the Central Bank of Russia, which would require the state to quickly provide investment and business opportunities for the business sectors it has classified as strategic. An energy crisis could develop if continuously low oil prices, weak investment capabilities and problems in technology lead to a situation where Russia would find it necessary to grant foreign energy companies significantly more advantageous rights to invest and exploit Russia's natural resources – oil and gas, rare-earth elements, wood and possibly grain. Such a situation carries major risks, because interest in such investments would basically be low due to lower prices of these commod-

ities. Foreign investments and business operations require sufficient guarantees against a number of risks. Development of Russian legislation or implementation of investment protection compliant with EU directives, for example, would reduce these risks.

In this weaker outlook, Russia's dependence on Western technology and know-how will increase, or it would need to accept becoming dependent on technology from China. This course of events would secure the operational capability of central government, but it would be unable to produce economic growth or social cohesion. Russia seeks to implement its innovation policy under government control, with success being very uncertain. Financing the activities is not the only problem, because development also needs human capital. Russia is also suffering from a flight of human capital, which, if it were to accelerate, would make it difficult to recruit competent people in key sectors. Erosion of the education system could be curbed with additional funding, but the human factor cannot be controlled solely by pouring in more money or by more severe coercion. Developments in the attitudes of younger people will have a significant impact on Russia's ability to attain its political goals.

This outlook could also be triggered by a significant natural or human-caused disaster, or by extensive crisis or conflict in Russia's neighbouring areas. Russia's role in conflicts, both in potential crisis centres in the post-Soviet space and elsewhere (the Middle East) could increase, which would require military resources and funds from the state budget. Military tasks can be outsourced to private companies associated with the government and organised crime. Failure to control private military and security companies would increase general distrust in the government.

If Russia's armed forces were unable to maintain their operational capabilities, this could lead to uncertainty regarding the global balance of power. The desired level of armament, capabilities and professional soldiers would have to be compromised, and there are no identifiable prerequisites for success in a military conflict between great powers. Russia will try to extend the operational life of its existing strategic weaponry, and its non-strategic nuclear weapons would remain a deterrent-enhancing factor. The operational capability of the armed forces in Russia's neighbouring areas will be maintained with modernised and legacy (but still useful) conventional weaponry.

Potential implications for Finland

This weaker outlook for Russia's economic and military development and its possible attempts to seek economic cooperation with the West would increase links between Europe (including Finland) and Russian energy and raw material markets, as well as creating export possibilities for related products and services. However, lower oil prices would decrease Russia's export revenues, which would result in a corresponding reduction in imports, and competition for Russian markets would intensify. As long as the West maintains a united and consistent attitude towards Russia at the political and security levels, Finland's position in these regards would remain unchanged. However, any increase in the economic significance of investments in Russia would provide cause to assess the security risk posed by a weaker Russia as having diminished, and individual Western countries might put their economic interests before the values-related interests of the Western community as a whole.

The strengthening of several negative trends would affect Russia's foreign policy and assessments of threats. In turn, if Russia were to become more isolated from the West, this would generally result in more uncertainty for Finland, and political and economic pressure on Finland from the Russian government would probably increase, as it would have to take more risks. This uncertainty would probably encourage Finland to develop its energy system so that it would be less dependent on Russia. Increased Russian isolation and weaker commitment to international cooperation would make it difficult for the Western cooperation partners to act uniformly towards Russia. The continuity in Finno-Russian relations would decrease, the number of asylum seekers would be likely to grow, and cooperation between different sectors would become more difficult. If this development were to occur, it would probably alienate the cultures of Finland and Russia from each other, as tourism between the two societies would also decrease.

4.4 Internal fragmentation of the Russian state

This outlook describes an economic and political development significantly weaker than the current one and regional fragmentation within the country, as well as the weakening of its military power. Trends and factors contributing to the process of fragmentation are the most extreme of those described in this report, and as such also the least likely.

Internal situation	<p>The quality of governance and social services weaken from the present situation significantly or very suddenly. It is not possible to keep them at the minimum level to retain the support of the populace.</p> <p>The legitimacy of the ruling regime is questioned, and many social groups are targets of coercive measures. Society challenges the system, and internal struggles within the elite intensify, resulting in visible changes.</p>
Economy	<p>The global energy transition progresses rapidly, and the price of oil falls for an extended period below a level that supports economic growth (USD 50). There is no end in sight for the economic recession in a situation where no growth sectors have been borne in the economy outside the energy sector.</p> <p>The regional dominance of Russia weakens, and its cooperation in Asia will not produce significant political or economic results.</p>
External relations	<p>There is obvious new pressure to change the perceived national security threats. Cooperation between great powers does not produce added value, and the strengthening of other great powers compared to Russia is very obvious.</p> <p>Russia's interests or views are taken into account little in international politics, but great powers and neighbouring countries seek to support Russia and its regions in controlling any process of disintegration. There is a particular focus on preventing the proliferation of weapons of mass destruction and increased organised crime.</p> <p>Russia finds it difficult to persuade neighbouring countries to commit to cooperation, and it needs to allocate resources to preventing and managing internal problems and conflicts.</p>
Military security	<p>Centralised command of the armed forces weakens, and the military is no longer credibly perceived as being able to maintain a strategic deterrent and defensive capability against a military attack by another great power.</p> <p>Regarding the nuclear deterrent, resources are allocated to safe management of nuclear weapons.</p> <p>The essential elements of conventional military force are maintained, but it is no longer possible to use it in a unified manner to deal with conflicts in Russia's immediate vicinity. The loyalty of military personnel to the government is not undivided.</p>

One key factor in such a negative development could be an accelerating power struggle amongst the elite during the next decade. This could be triggered by a failure in the smooth handover power at the end of President Putin's term in office, or a loss of legitimacy for other reasons. In such a situation, the operational capability of Russia's political system would be at risk. At its worst, an internal power struggle within the elite would lead to a long period of weakness in internal politics, where Russia would lose some of its ability to implement its long-term strategic goals. Similarly, a visible military disaster causing

turmoil in internal politics could trigger or accelerate such a collapse. A military disaster taking place abroad, particularly in neighbouring areas, would weaken Russia's national legitimacy, which is based on its status as a great power. Such trigger factors could rapidly erode the legitimacy of the current regime, lead to more widespread demonstrations, and make the elite compete for power. At worst, these factors could lead to a level of conflict in Russia approaching civil war.

Above all, the disastrous development of several internal trends in Russia could result in fragmentation. As that would require a combination of several negative trends and a possible disaster, fragmentation is the least likely of the future scenarios described here. However, there are factors in the current course of development in the country that could promote fragmentation. Strong fluctuations in revenues from energy trade are an everyday problem, and a collapse in oil prices could lead to a prolonged economic crisis, resulting in the government (and companies that depend on the state) being unable to continue to pay competitive salaries and meet their pension obligations. Fluctuations in income could result in repeated waves of discontent, destabilising society. The trend of urbanisation is fragmenting the state. The power of Russia's few large cities is increasing at the expense of smaller "monotowns" that rely on a single industrial employer, as well as of rural areas. The country's regions will continue to become increasingly divided from each other, giving them opportunities to strengthen their power relative to that of central government. Central government will struggle to retain control over regional government actors. The brain drain of skilled people will continue, and consequently, no sufficiently large and competent generation will grow in Russia to take charge of matters. The higher birth rate among the Muslim population will gradually change the demographic structure, while unofficial immigration will erode the economic and political operating environment in Russia. The number of people living outside official society will gradually increase.

A prolonged economic crisis, possibly following a collapse in prices of oil and raw materials, and different development paths in the regions would lead to a weakening of political capabilities. If there were a serious and long-lasting crisis in public finances, Russia's chances of credibly implementing its armament programme and military operations would disappear. If the state-centred innovation policy (i.e. expansion of the structures of economy) were to fail at the same time, Russia would not be capable of creating new growth – even for military technology – meaning that it will be left behind other great powers at an accelerating rate.

The other side of coin regarding digital sovereignty (i.e. maintaining control over the network infrastructure, logic and data located in Russia) is the weakening of possibilities for cooperation. Limited cooperation will also leave Russia relying on its own resources for solving problems in this area. International cooperation will produce less added value for the fight against malware, cybercrime or hostile operations exploiting the vulnerabilities of Russian systems.

If the ongoing gradual deterioration of the environment, e.g. due to climate change, were to continue, this would harm the production of food and exploitation of natural resources. A natural disaster amplifying these factors, or a large influx of internal refugees in

Russia due to this or other reasons, would have rapid and widespread consequences. In an extreme situation, a human-caused or natural disaster would paralyse the state and make it partly dependent on external help.

Centralised command over the armed forces will also weaken as central government weakens, but fragmentation of the armed forces themselves is not inevitable. Retaining joint control over the armed forces and its soldiers would be in the interests of all parties in order to avoid armed conflict. It is also very much in the interest of other great powers and neighbouring countries to support centralised control over the armed forces for the same reason, and in order to prevent the proliferation of conventional weapons and weapons of mass destruction. In extreme cases, authoritarian regimes supported by military force may arise in the fragmenting regions. The state's monopoly over military force may also be lost as a consequence of privatising security services and the military, leading to the emergence of autonomous groups. Mercenaries who have fought in conflicts in neighbouring areas and members of terrorist organisations would also return to Russia and join these groups, if the state was unable to control them.

Potential implications for Finland

Fragmentation in Russia would have two types of consequences for Finland: serious short-term threats, but also long-term opportunities. Finland would be under pressure to position itself and to define its policy regarding the fragmenting regions, and diplomatic relations between Finland and Russia might be temporarily severed. In an extreme case, Finland could be drawn into a civil war in Russia, as a party to it and/or as a recipient of a large influx of refugees. Internal chaos in Russia would lead to an increase of unprecedented risks, for example in the form of cross-border crime. The security threats currently linked with Russia would probably change rapidly and radically.

A fragmenting Russia would become inward-looking, and direct attempts to politically influence Finland would be significantly reduced. Bilateral trade between Finland and Russia would decrease, with corresponding consequences for the Finnish economy. There might be interruptions in energy trade, but it would be generally in the interest of the parties controlling those resources to continue the trade. As a whole, the consequences of fragmentation development would probably be negative for Finland in the short term. Continued bilateral relations, the ability to draw up binding treaties, and protection of investments in Russia would all be at risk.

Weaker centralised command of the Russian armed forces, and further the possible fragmentation of the state, would create a risk of nuclear weapons and other weapons of mass destruction falling into the hands of unstable regimes, terrorist, or private security firms. The same could also happen for other materiel and effective weaponry. Russia's extensive and advanced defence industry would have to seek new markets if the volume of orders from the Russian state were to decrease. The Russian armed forces would still be in possession of large amounts of effective, modern conventional weaponry, such as fighter aircraft, naval vessels, anti-aircraft and cruise missiles, as well as various types of pre-

cision-guided weapons, weapons for electronic warfare and cyber-weapons. The Russian armed forces would also have masses of the weaponry typically used in current conflicts: small arms, rocket-propelled grenades and man-portable anti-aircraft missiles, as well as explosives.

Disintegration of the Russian state would significantly increase the Russian population in Finland, and the number of refugees coming from Russia would increase. This would probably have a strong influence on both Finland's internal politics and on the public debate in Finland, due to e.g. lack of security and predictability in society. In the longer term, an increased Russian population would lead to increased influence of Russian culture in Finland.

Finland might also have a much bigger role as a safe haven for Russian businesses and capital fleeing unstable conditions. The situation could also lead to temporary disruptions in the availability of energy if operators in Russia were unable to supply oil or gas in the agreed manner. Before long, new economic possibilities might be created as the parties establishing control over resources in Russia became clear.

Disintegration of the Russian state would increase the severity and diversity of threats to Finland's security. There would be strong pressure to make changes to Finland's security and defence, and to increase the resources allocated to them.

5. Conclusions on the possible futures for Russia

Foresight work regarding Russia based on current **global trends** produces a relatively stable picture of the country. The current trends do not indicate any critical need for change in Finno-Russian relations, in the way they are managed, or in the resources allocated to them. However, Finland has to be prepared for sudden events that could change the situation in Russia and require Finland to adapt, even considerably.

The lack of attention paid to **climate change** and preparations for it in the Russian public debate and actions weaken Russia's ability to prepare for the risks of its potential severe and extensive impacts. Russia's preparations for climate change must be monitored in order to identify the potential for extensive impact, which would also be felt in Finland.

The **weak signals** in several areas raise the issue of social unrest, which has the potential to escalate into conflicts between different groups of Russian citizens and the government. Hardly any weak signals confirming the long-term trend of economic growth (growth forecast of approximately 1.5%) have been observed in this study, but several risks of a weaker economic future for Russia have been identified. The risk of social unrest and the risk concerning long-term economic growth are key factors that Finland must monitor.

The pressure for Russia to redefine the **expressed threats Russia associates with Finland**, mainly concerns the scenario in which Russia disintegrates. The threats Russia associates with Finland are part of the threats associated with the militarily superior USA and its alliances. The definitions and descriptions of threats that Russia associates with Finland are likely to remain unchanged in the outlooks involving a stronger or weaker Russia. Russia can pragmatically adjust the level of threat according to its goals and situational assessments. The military force deemed necessary to prevent and avert the threats stated by Russia constitutes a security risk for Finland in all the possible futures for Russia analysed in this document.

The prevailing development outlook is the most likely one for Russia, because it is supported by factors and trends that are permanent in nature. No factors or ongoing processes have been identified that would be likely to result in rapid and/or significant changes to the prevailing development outlook. In this development outlook, Finland has good operational possibilities in relation to Russia. Adapting to these developments in Russia will not require significant changes in Finland's policies, or in the structures of its economy or defence. From the perspective of Finland's security, continuation of the current situation is a better alternative than more favourable economic and military development in Russia. In its foreign and internal policy, Finland would also be better able to rely on the European Union in its current form and on its cooperation networks than on a European Union that could be weaker if the outlook for Russia were more favourable.

Development weaker than the current outlook is assessed to be possible if a combination of several negative trends or a shock were to occur. This development outlook would not create any significant need for adaptation in Finland. Finland's opportunities for political operations would probably improve, while the economic possibilities in relation to Russia (exports of goods and services, import of energy) would remain the same – and in certain respects could even expand. On the other hand, the Russian economy (and the export and investment opportunities it offers) would shrink overall, meaning that Finland would feel pressure to increase its market share. There would be no need for any significant changes in Finland's security or defence structures, but the resources allocated to them would have to be more extensively justified.

Development more favourable than the current outlook is also assessed to be possible, but this would require the combined effect of several positive trends without any shocks. In this development outlook, Finland would have to adapt to Russia's increased influence and more active external operations. Finland's opportunities for political operations regarding Russia would weaken. It is unlikely that there would be pressure to change Finland's security and defence structures, but international security and defence co-operation and activities would probably have to adapt to take Russia's interests into account. The resources allocated to Finland's defence would probably need to be increased.

A course of development that sees a fragmenting Russia is seen as the least likely outcome: It would require the combined effect of a number of negative trends and shocks. If Russia were to disintegrate, Finland would have to adapt seriously, though in the longer term, Finland could have more potential options in such a case. It is likely that Finland would have to adapt to extensive, long-term security problems arising from Russia. Considerable changes will probably have to be made in the duties, structures and resources of the security authorities.

Only this last scenario would involve events that would significantly expand the security risks Finland is exposed to, probably creating extensive pressure for change and requirements for increased resources for defence, as well as changes to the concept of comprehensive security.

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